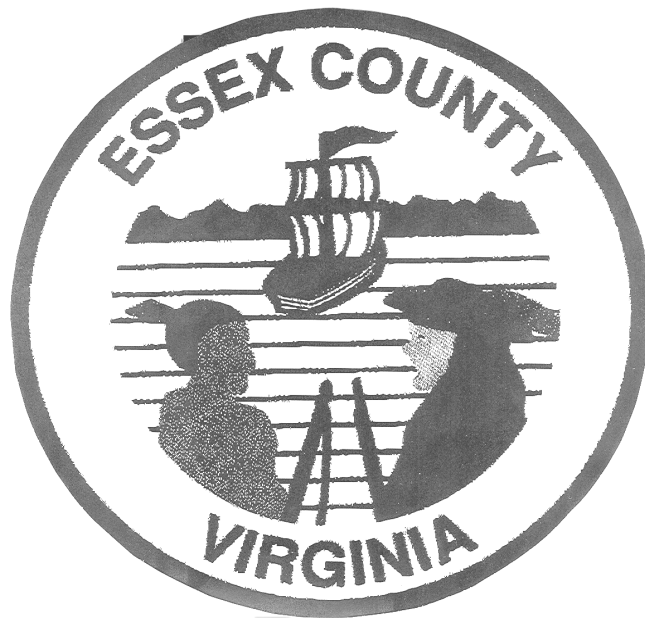


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2022

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2022

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

Robert L. Akers, Jr., Chair
Ronnie G. Gill, Vice-Chair

Edwin E. (Bud) Smith Jr.
Sidney N. Johnson

John C. Magruder

School Board

Raymond Whitaker, Chair
Garlyn Bundy, Vice-Chair

Scott Croxton
Andrea Sydnor

Michael Wind

Department of Social Services Board

Wright Andrews, Chair
Ella Johnson, Vice-Chair
Rob Akers
Mary Alice Passagaluppi
Denise Hammond

Other Officials

Judge of the Circuit Court..... Herbert M. Hewitt
Clerk of the Circuit Court..... G.J. Ashworth
Judge of the General District Court..... John S. Martin
Judge of the Juvenile and Domestic Relations Court William L. Lewis
Commonwealth's Attorney Vincent S. Donoghue
Commissioner of the Revenue T.M. Blackwell
Treasurer B. A. Davis
Sheriff..... Walter Holmes
Superintendent of Schools..... Dr. Harry R. Thomas III
Director of Social Services..... Candace Mickelborough
County Administrator..... Michael Lombardo
County Attorney..... Daniel M. Siegel

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FINANCIAL REPORT
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Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors
County of Essex
Essex, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County of Essex, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 20 to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2022, the County restated beginning balances to record 2021 accrued payroll and equipment. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Essex, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of County of Essex, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Essex, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Essex, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022, on our consideration of County of Essex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Essex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Essex, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
December 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**To the Honorable Members of the Board of Supervisors
To the Citizens of Essex County
County of Essex, Virginia**

As management of the County of Essex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2022.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,704,736 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$1,011,065 (Exhibit 5) after making contributions totaling \$6,665,207 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$9,209,475, an increase of \$1,011,065 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,721,629, or 34.80% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,687,718 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Essex, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Essex, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Essex Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Overview of the Financial Statements (Continued)

Governmental funds - *Governmental funds* are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has four major governmental funds - the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's custodial funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Custodial funds are used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information including budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board and EDA. The School Board and EDA do not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,704,736 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Essex, Virginia's Net Position

| | Governmental Activities | |
|-----------------------------------|-------------------------|---------------|
| | 2022 | 2021 |
| Current and other assets | \$ 25,859,006 | \$ 18,830,923 |
| Capital assets | 20,718,588 | 22,795,293 |
| Total assets | \$ 46,577,594 | \$ 41,626,216 |
| Deferred outflows of resources | \$ 773,670 | \$ 1,063,419 |
| Current liabilities | \$ 2,998,279 | \$ 3,430,333 |
| Long-term liabilities outstanding | 17,360,071 | 17,399,922 |
| Total liabilities | \$ 20,358,350 | \$ 20,830,255 |
| Deferred inflows of resources | \$ 11,288,178 | \$ 8,366,600 |
| Net position: | | |
| Net investment in capital assets | \$ 4,307,309 | \$ 3,805,818 |
| Restricted for: | | |
| Pension plans | 3,159,120 | 63,000 |
| Glebe fund | 14,625 | 10,500 |
| Asset forfeiture - Sheriff | 68,935 | 77,388 |
| Law library | 7,328 | 7,328 |
| Asset forfeiture - Comm. Atty | 2,883 | 2,879 |
| Reading program donations | 1,300 | 1,300 |
| Poor house park | 13,344 | 13,344 |
| Animal shelter | 86,018 | 65,814 |
| Capital projects | 18,805 | 18,805 |
| Unrestricted | 8,025,069 | 9,426,604 |
| Total net position | \$ 15,704,736 | \$ 13,492,780 |

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,518,773 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2022 | 2021 |
| Charges for services | \$ 724,961 | \$ 537,727 |
| Operating grants and contributions | 4,476,765 | 6,210,035 |
| Capital grants and contributions | 174,479 | 156,587 |
| General property taxes | 16,476,784 | 15,903,259 |
| Other local taxes | 3,034,848 | 2,851,456 |
| Grants and other contributions not restricted | 1,551,978 | 1,546,164 |
| Other general revenues | 176,197 | 219,795 |
| Total revenues | \$ 26,616,012 | \$ 27,425,023 |
| General government administration | \$ 1,864,888 | \$ 3,263,956 |
| Judicial administration | 884,338 | 749,254 |
| Public safety | 5,122,811 | 5,235,347 |
| Public works | 2,550,766 | 2,317,627 |
| Health and welfare | 3,526,730 | 3,729,097 |
| Education | 8,817,322 | 11,109,312 |
| Parks, recreation, and cultural | 432,930 | 386,532 |
| Community development | 184,706 | 293,825 |
| Interest and other fiscal charges | 712,748 | 864,938 |
| Total expenses | \$ 24,097,239 | \$ 27,949,888 |
| Change in net position | \$ 2,518,773 | \$ (524,865) |
| Net position, beginning of year, as restated | 13,185,963 | 14,017,645 |
| Net position, end of year | \$ 15,704,736 | \$ 13,492,780 |

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$9,209,475, an increase of \$1,011,065. Approximately 95% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund exceeded budgetary estimates in the amount of (\$161,817). Expenditures and other financing uses did not exceed budgetary estimates by \$2,244,617, resulting in a positive variance of \$2,082,800.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2022 amounted to \$20,718,588 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and intangible assets.

Additional information on the County's capital assets can be found in note 6 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$15,594,159. Of this amount, \$10,154,159 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's bonded debt decreased by \$2,573,502 during the current fiscal year.

Additional information on the County of Essex, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

These factors were considered in preparing the County's budget for the 2023 fiscal year.

The fiscal year 2023 budget increased approximately 10.44% over the prior year in anticipation of expenditure of ARPA grant funds. The County's tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Essex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 202 S. Church Lane, Post Office Box 1079, Tappahannock, Virginia 22560.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2022

| | Primary Government | Component Units | | |
|--|----------------------------|----------------------|------------------|----------------------|
| | Governmental Activities | School Board | EDA | Airport |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,966,729 | \$ 236,723 | \$ 4,725 | \$ 525,977 |
| Investments | 2,010,734 | - | 33,543 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 15,566,900 | - | - | - |
| Accounts receivable | 166,094 | 5,596 | 1,994 | 2,457 |
| Lease receivable | - | - | - | 6,771 |
| Other receivable | - | - | - | 60 |
| Due from other governmental units | 1,989,429 | 1,821,579 | - | - |
| Inventories | - | 26,073 | - | 21,042 |
| Prepaid items | - | 84,517 | - | 6,730 |
| Net pension asset | 3,159,120 | 178,631 | - | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 1,149,371 | 42,822 | - | 4,774,900 |
| Buildings and improvements | 15,535,056 | 15,345,764 | - | 2,612,411 |
| Intangibles | 1,107,859 | - | - | - |
| Equipment | 2,516,385 | 2,881,176 | - | 2,340 |
| Infrastructure | - | - | - | 1,797,712 |
| Assets under lease | 204,164 | 25,062 | - | - |
| Construction in progress | 205,753 | - | - | 391,738 |
| Total assets | <u>\$ 46,577,594</u> | <u>\$ 20,647,943</u> | <u>\$ 40,262</u> | <u>\$ 10,142,138</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | \$ 662,779 | \$ 2,894,528 | \$ - | \$ - |
| OPEB related items | 110,891 | 300,619 | - | - |
| Total deferred outflows of resources | <u>\$ 773,670</u> | <u>\$ 3,195,147</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 379,088 | \$ 67,809 | \$ - | \$ 12,512 |
| Accrued liabilities | 431,053 | 644,391 | - | 3,996 |
| Due to Primary Government | - | 1,116,858 | - | - |
| Accrued interest payable | 165,874 | - | - | - |
| Unearned revenue | 1,022,264 | - | - | - |
| Short term note payable | 1,000,000 | - | - | - |
| Long-term liabilities: | | | | |
| Due within one year | 2,321,017 | 44,775 | - | 64,591 |
| Due in more than one year | 15,039,054 | 8,986,817 | - | 616,745 |
| Total liabilities | <u>\$ 20,358,350</u> | <u>\$ 10,860,650</u> | <u>\$ -</u> | <u>\$ 697,844</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 8,586,163 | \$ - | \$ - | \$ - |
| Lease deferrals | - | - | - | 6,847 |
| Pension related items | 2,588,464 | 6,406,525 | - | - |
| OPEB related items | 113,551 | 404,767 | - | - |
| Total deferred inflows of resources | <u>\$ 11,288,178</u> | <u>\$ 6,811,292</u> | <u>\$ -</u> | <u>\$ 6,847</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 4,307,309 | \$ 18,269,642 | \$ - | \$ 8,897,765 |
| Restricted: | | | | |
| Pension Plans | 3,159,120 | 178,631 | - | - |
| Glebe fund | 14,625 | - | - | - |
| Asset forfeiture - Sheriff | 68,935 | - | - | - |
| Law library | 7,328 | - | - | - |
| Asset forfeiture - Comm. Atty | 2,883 | - | - | - |
| Poor house park | 13,344 | - | - | - |
| Animal shelter | 86,018 | - | - | - |
| Reading program donations | 1,300 | - | - | - |
| Capital projects | 18,805 | - | - | - |
| Unrestricted (deficit) | 8,025,069 | (12,277,125) | \$ 40,262 | 539,682 |
| Total net position | <u>\$ 15,704,736</u> | <u>\$ 6,171,148</u> | <u>\$ 40,262</u> | <u>\$ 9,437,447</u> |

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Activities
For the Year Ended June 30, 2022

| Functions/Programs | Program Revenues | | | | Primary Governmental Activities | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|-------------------------|--|--|---------------------------------------|--|--------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Component Units | | |
| | | | | | | School Board | EDA | Airport |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,864,888 | \$ - | \$ 257,228 | \$ - | \$ (1,607,660) | | | |
| Judicial administration | 884,338 | 35,050 | 521,384 | - | (327,904) | | | |
| Public safety | 5,122,811 | 635,006 | 1,060,567 | - | (3,427,238) | | | |
| Public works | 2,550,766 | - | 2,423 | - | (2,548,343) | | | |
| Health and welfare | 3,526,730 | 27,563 | 2,234,388 | - | (1,264,779) | | | |
| Education | 8,817,322 | - | - | - | (8,817,322) | | | |
| Parks, recreation, and cultural | 432,930 | 27,342 | - | - | (405,588) | | | |
| Community development | 184,706 | - | - | 174,479 | (10,227) | | | |
| Interest on long-term debt | 712,748 | - | 400,775 | - | (311,973) | | | |
| Total governmental activities | \$ 24,097,239 | \$ 724,961 | \$ 4,476,765 | \$ 174,479 | \$ (18,721,034) | | | |
| Total primary government | \$ 24,097,239 | \$ 724,961 | \$ 4,476,765 | \$ 174,479 | | | | |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 19,857,526 | \$ 73,221 | \$ 15,228,713 | \$ - | \$ (4,555,592) | \$ - | \$ - | \$ - |
| Economic Development Authority | 6,150 | 1,994 | - | - | - | (4,156) | - | - |
| Airport Authority | 848,959 | 320,930 | 83,069 | 210,240 | - | - | (234,720) | - |
| Total component units | \$ 20,712,635 | \$ 396,145 | \$ 15,311,782 | \$ 210,240 | \$ (4,555,592) | \$ (4,156) | \$ (234,720) | \$ - |
| General revenues: | | | | | | | | |
| General property taxes | | | | | \$ 16,476,784 | \$ - | \$ - | \$ - |
| Other local taxes: | | | | | | | | |
| Local sales and use tax | | | | | 2,308,860 | - | - | - |
| Consumers' utility taxes | | | | | 239,213 | - | - | - |
| Motor vehicle licenses | | | | | 406,378 | - | - | - |
| Other local taxes | | | | | 80,397 | - | - | - |
| Unrestricted revenues from use of money | | | | | 9,419 | 26 | 82 | 417 |
| Miscellaneous | | | | | 166,778 | 337,172 | - | - |
| Payments from Essex County | | | | | - | 8,265,255 | - | 41,387 |
| Grants and contributions not restricted to specific programs | | | | | 1,551,978 | - | - | - |
| Total general revenues | | | | | \$ 21,239,807 | \$ 8,602,453 | \$ 82 | \$ 41,804 |
| Change in net position | | | | | 2,518,773 | 4,046,861 | (4,074) | (192,916) |
| Net position - beginning, as restated | | | | | 13,185,963 | 2,124,287 | 44,336 | 9,630,363 |
| Net position - ending | | | | | \$ 15,704,736 | \$ 6,171,148 | \$ 40,262 | \$ 9,437,447 |

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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County of Essex, Virginia
Balance Sheet
Governmental Funds
June 30, 2022

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue Fund</u> | <u>Debt Service</u> | <u>Total</u> |
|--|----------------------|-----------------------------|-------------------------------------|-------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,370,140 | \$ 93,599 | \$ 228,382 | \$ 274,608 | \$ 2,966,729 |
| Investments | 2,010,734 | - | - | - | 2,010,734 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 15,566,900 | - | - | - | 15,566,900 |
| Accounts receivable | 166,094 | - | - | - | 166,094 |
| Due from other governmental units | 1,989,429 | - | - | - | 1,989,429 |
| Total assets | <u>\$ 22,103,297</u> | <u>\$ 93,599</u> | <u>\$ 228,382</u> | <u>\$ 274,608</u> | <u>\$ 22,699,886</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 302,793 | \$ 74,794 | \$ 1,501 | \$ - | \$ 379,088 |
| Accrued liabilities | 431,053 | - | - | - | 431,053 |
| Short term note payable | 1,000,000 | - | - | - | 1,000,000 |
| Unearned revenue | 989,816 | - | 32,448 | - | 1,022,264 |
| Total liabilities | <u>\$ 2,723,662</u> | <u>\$ 74,794</u> | <u>\$ 33,949</u> | <u>\$ -</u> | <u>\$ 2,832,405</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | \$ 10,658,006 | \$ - | \$ - | \$ - | \$ 10,658,006 |
| Total deferred inflow of resources | <u>\$ 10,658,006</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,658,006</u> |
| FUND BALANCES | | | | | |
| Restricted | \$ - | \$ 18,805 | \$ 194,433 | \$ - | \$ 213,238 |
| Committed: | | | | | |
| Debt service funds | - | - | - | 274,608 | 274,608 |
| Unassigned | 8,721,629 | - | - | - | 8,721,629 |
| Total fund balances | <u>\$ 8,721,629</u> | <u>\$ 18,805</u> | <u>\$ 194,433</u> | <u>\$ 274,608</u> | <u>\$ 9,209,475</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 22,103,297</u> | <u>\$ 93,599</u> | <u>\$ 228,382</u> | <u>\$ 274,608</u> | <u>\$ 22,699,886</u> |

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|---|---------------------|-----------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 9,209,475 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment: | | |
| Capital assets, cost | \$ 38,635,075 | |
| Accumulated depreciation | <u>(17,916,487)</u> | 20,718,588 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Unavailable revenue - property taxes | \$ 2,071,843 | |
| Net pension asset | <u>3,159,120</u> | 5,230,963 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | \$ 662,779 | |
| OPEB related items | <u>110,891</u> | 773,670 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Lease revenue bonds | \$ (5,440,000) | |
| General obligation bonds | (10,154,159) | |
| Bond premiums | (675,402) | |
| Capital financing | (234,951) | |
| Accrued interest payable | (165,874) | |
| Compensated absences | (368,504) | |
| Lease liabilities | (200,180) | |
| Net OPEB liabilities | <u>(286,875)</u> | (17,525,945) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | \$ (2,588,464) | |
| OPEB related items | <u>(113,551)</u> | (2,702,015) |
| Net position of governmental activities | | <u><u>\$ 15,704,736</u></u> |

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue Fund</u> | <u>Debt Service</u> | <u>Total</u> |
|--|-----------------------|-----------------------------|-------------------------------------|-------------------------|----------------------|
| REVENUES | | | | | |
| General property taxes | \$ 16,113,234 | \$ - | \$ - | \$ - | \$ 16,113,234 |
| Other local taxes | 3,034,848 | - | - | - | 3,034,848 |
| Permits, privilege fees, and regulatory licenses | 163,863 | - | - | - | 163,863 |
| Fines and forfeitures | 18,764 | - | - | - | 18,764 |
| Revenue from the use of money and property | 36,835 | 144 | 4,128 | - | 41,107 |
| Charges for services | 510,646 | - | - | - | 510,646 |
| Miscellaneous | 110,016 | - | 56,762 | - | 166,778 |
| Recovered costs | 79,262 | - | - | - | 79,262 |
| Intergovernmental: | | | | | |
| Commonwealth | 4,475,834 | - | 2,790 | - | 4,478,624 |
| Federal | 1,512,506 | 174,479 | 37,613 | - | 1,724,598 |
| Total revenues | <u>\$ 26,055,808</u> | <u>\$ 174,623</u> | <u>\$ 101,293</u> | <u>\$ -</u> | <u>\$ 26,331,724</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 1,892,433 | \$ - | \$ - | \$ - | \$ 1,892,433 |
| Judicial administration | 878,998 | - | - | - | 878,998 |
| Public safety | 4,729,650 | - | 85,413 | - | 4,815,063 |
| Public works | 2,499,218 | - | - | 70,938 | 2,570,156 |
| Health and welfare | 3,632,421 | - | - | - | 3,632,421 |
| Education | 6,673,696 | - | - | - | 6,673,696 |
| Parks, recreation, and cultural | 447,712 | - | - | - | 447,712 |
| Community development | 148,700 | - | - | 41,387 | 190,087 |
| Capital projects | 12,150 | 572,710 | - | - | 584,860 |
| Debt service: | | | | | |
| Principal retirement | 107,685 | - | - | 2,608,535 | 2,716,220 |
| Interest and other fiscal charges | 2,221 | - | - | 916,792 | 919,013 |
| Total expenditures | <u>\$ 21,024,884</u> | <u>\$ 572,710</u> | <u>\$ 85,413</u> | <u>\$ 3,637,652</u> | <u>\$ 25,320,659</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 5,030,924</u> | <u>\$ (398,087)</u> | <u>\$ 15,880</u> | <u>\$ (3,637,652)</u> | <u>\$ 1,011,065</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ - | \$ 398,087 | \$ - | \$ 3,637,652 | \$ 4,035,739 |
| Transfers out | (4,035,739) | - | - | - | (4,035,739) |
| Total other financing sources (uses) | <u>\$ (4,035,739)</u> | <u>\$ 398,087</u> | <u>\$ -</u> | <u>\$ 3,637,652</u> | <u>\$ -</u> |
| Net change in fund balances | \$ 995,185 | \$ - | \$ 15,880 | \$ - | \$ 1,011,065 |
| Fund balances - beginning, as restated | 7,726,444 | 18,805 | 178,553 | 274,608 | 8,198,410 |
| Fund balances - ending | <u>\$ 8,721,629</u> | <u>\$ 18,805</u> | <u>\$ 194,433</u> | <u>\$ 274,608</u> | <u>\$ 9,209,475</u> |

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 1,011,065

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:

| | | |
|---|--------------------|-------------|
| Capital asset additions | \$ 576,201 | |
| Transfer of joint tenancy assets to Component Unit School Board from Primary Government | (1,600,048) | |
| Depreciation expense | <u>(1,319,736)</u> | (2,343,583) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (165,432)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details are as follows:

Property taxes 363,550

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

| | | |
|--|----------------|-----------|
| Principal retired on lease revenue bonds | \$ 1,190,000 | |
| Principal retired on capital financing | 35,033 | |
| Principal retired on lease liabilities | 107,685 | |
| Principal retired on school general obligation bonds | 1,383,502 | |
| Amortization of bond premium | <u>169,841</u> | 2,886,061 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

| | | |
|------------------------------------|---------------|----------------|
| Change in compensated absences | \$ 24,827 | |
| Change in accrued interest payable | 20,724 | |
| Pension expense | 701,102 | |
| OPEB expense | <u>20,459</u> | <u>767,112</u> |

Change in net position of governmental activities \$ 2,518,773

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

| | Custodial Funds |
|---------------------------|----------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 63,168</u> |
| NET POSITION | |
| Restricted for: | |
| Individuals | \$ 11,141 |
| Employees | <u>52,027</u> |
| Total net position | <u><u>\$ 63,168</u></u> |

The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

| | <u>Custodial Funds</u> |
|---|----------------------------|
| ADDITIONS | |
| Contributions: | |
| Participant fees | \$ 71,288 |
| Miscellaneous | 5,120 |
| Total additions | <u>\$ 76,408</u> |
| DEDUCTIONS | |
| Recipient payments | \$ 63,665 |
| Total deductions | <u>\$ 63,665</u> |
| Net increase (decrease) in fiduciary net position | \$ 12,743 |
| Net position, beginning | <u>50,425</u> |
| Net position, ending | <u><u>\$ 63,168</u></u> |

The notes to the financial statements are an integral part of this statement.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
June 30, 2022

Note 1—Summary of Significant Accounting Policies:

The County of Essex, Virginia (the "County") is governed by an elected four-member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Essex, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 1—Summary of Significant Accounting Policies: (Continued)

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Essex (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is both legally and substantially separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2022.

Discretely Presented Component Units. The School Board members are elected by the citizens of Essex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2022.

The Essex County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2022. The Authority does not issue a separate financial report.

Essex County Airport Authority was created by legislation of the Commonwealth of Virginia's General Assembly in 1988 and is charged with providing an airport accessible to the County of Essex in the vicinity of the Town of Tappahannock. The 1988 legislation was amended by the General Assembly in 2012 to remove the Town of Tappahannock as a participating member jurisdiction of the Authority. Said amendments reduced the Authority's board member from 7 to 5, all of which are appointed by the County of Essex's Board of Supervisors. In addition, the name of the Authority was changed from Tappahannock-Essex Airport Authority to Essex County Airport Authority. The Authority issues a separate financial report.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations Included in the County's Financial Report

None

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The County reports the following major governmental funds:

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Funds - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for county and school capital outlays.

Debt Service Fund - The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund reports the operations of the law library, forfeited assets, Glebe Fund, and debt service reserve transactions.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

2. Fiduciary Funds - (Trust and Custodial Funds) - accounts for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds. Custodial Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Custodial Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare Fund, County Flex Spending and Health Reimbursement Account Fund, and the School Flex Spending and Health Reimbursement Account Fund.

3. Component Unit

The Essex County School Board has the following funds:

Governmental Fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Essex, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

Special Revenue Funds:

School Cafeteria Fund - This fund is the operating fund of the school cafeteria and accounts for all revenues and expenditures applicable to the general operations of the school nutrition system. Revenues are derived primarily from charges for services and state and federal grants. The School Cafeteria Fund is considered a major fund of the School Board for financial reporting purposes.

School Activity Fund - School activity funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from all activities of the school involving personnel, students, or property. The School Activity Fund is considered a major fund of the School Board for financial reporting purposes.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e., the noncurrent portions of the interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$273,664 at June 30, 2022 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

| | <u>Real Property</u> | <u>Personal Property</u> |
|-----------|--------------------------------------|--------------------------|
| Levy | January 1 | January 1 |
| Due Date | December 5/June 5 (50% each date) | December 5 |
| Lien Date | January 1 | January 1 |

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County and Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the County and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets (Continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings | 20-40 |
| Building Improvements | 10-40 |
| Furniture, Vehicles, Office and Computer Equipment | 5-20 |
| Buses | 10 |
| Infrastructure | 10-20 |
| Building under lease | 5-20 |
| Equipment under lease | 5-10 |
| Intangibles | 20 |

I. Leases

The County leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The County recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The County recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Leases (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The County monitors changes in circumstances that would require a remeasurement or modification of its leases. The County will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Balance (Continued)

- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Balance (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

| | General Fund | Capital Projects Fund | Special Revenue Fund | Debt Service Fund | Total |
|--|---------------------|-----------------------------|----------------------------|-------------------------|---------------------|
| Fund Balances: | | | | | |
| Restricted: | | | | | |
| Glebe fund | \$ - | \$ - | \$ 14,625 | \$ - | \$ 14,625 |
| Forfeited assets - Sheriff | - | - | 68,935 | - | 68,935 |
| Forfeited assets - Commonwealth's Attorney | - | - | 2,883 | - | 2,883 |
| Law library | - | - | 7,328 | - | 7,328 |
| Poor House park | - | - | 13,344 | - | 13,344 |
| Animal shelter | - | - | 86,018 | - | 86,018 |
| Reading program donations | - | - | 1,300 | - | 1,300 |
| Capital projects | - | 18,805 | - | - | 18,805 |
| Total Restricted Fund Balance | \$ - | \$ 18,805 | \$ 194,433 | \$ - | \$ 213,238 |
| Committed: | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 274,608 | \$ 274,608 |
| Unassigned | \$ 8,721,629 | \$ - | \$ - | \$ - | \$ 8,721,629 |
| Total Fund Balances | \$ 8,721,629 | \$ 18,805 | \$ 194,433 | \$ 274,608 | \$ 9,209,475 |

M. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Net Position (Continued)

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

R. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid expenditures in governmental funds are reported as nonspendable fund balance.

S. Inventory

Inventory in the Component Unit-School Board Cafeteria Fund consists of the purchased food and supplies held for consumption and is valued at cost. The cost is recorded as an expense at the time individual inventory items are consumed. Inventory in the Component Unit Airport consists of fuel held for resale, which is valued at cost.

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The special revenue fund has no legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 2—Stewardship, Compliance, and Accounting: (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the County Capital Improvements Fund. And the Debt Service Fund of the primary government and the School Operating Fund and School Cafeteria Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.
9. Excess of expenditures over appropriations:

Expenditures exceeded appropriations in the Special Revenue Fund by \$7,549 at June 30, 2022.

Expenditures exceeded appropriations in the School Operating Fund by \$2,991,149 at June 30, 2022.

Note 3—Deposits and Investments:

Deposits and Investments

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2022 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 3—Deposits and Investments: (Continued)

County's Rated Debt Investments' Values

| | <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> | |
|----------------------------------|-------------------------------|-----------------------------|-----------|
| | | AAAm | |
| Local Government Investment Pool | \$ | | 2,010,734 |

Interest Rate Risk

The County invests funds in low-risk investments backed by U.S government agencies.

| <u>Investment Maturities (in years)</u> | | |
|---|--------------|---------------------|
| <u>Investment Type</u> | | |
| | Fair Value | Less Than 1 Year |
| Local Government Investment Pool | \$ 2,010,734 | \$ 2,010,734 |

External Investment Pool

The fair value of the position in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participation.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 4—Due from/to Other Governments:

At June 30, 2022, the County has receivables from and amounts due to other governments as follows:

| | <u>Primary Government</u> | <u>Component Unit School Board</u> |
|--|-------------------------------|--|
| Amounts due from other governments are as follows: | | |
| Other Local Governments: | | |
| Essex County School Board | \$ 1,116,858 | \$ - |
| Commonwealth of Virginia: | | |
| Local sales tax | \$ 400,800 | \$ - |
| Mobile home titling tax | 4,372 | - |
| State sales tax | - | 329,420 |
| Constitutional officer reimbursements | 111,654 | - |
| Auto rental tax | 7,999 | - |
| Children's services act | 158,043 | - |
| Welfare | 44,798 | - |
| Communications tax | 40,251 | - |
| Wireless grant | 9,810 | - |
| Federal Government: | | |
| School education grants | - | 1,392,861 |
| School nutrition grants | - | 99,298 |
| Emergency management assistance | 13,316 | - |
| Welfare | 81,528 | - |
| Total due from other governments | <u>\$ 1,989,429</u> | <u>\$1,821,579</u> |
| Amounts due to other governments are as follows: | | |
| Other Local Governments: | | |
| County of Essex, VA | <u>\$ -</u> | <u>\$1,116,858</u> |
| Total due to other governments | <u>\$ -</u> | <u>\$1,116,858</u> |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|---------------------|----------------------|
| General | \$ - | \$ 4,035,739 |
| County Capital Projects | 398,087 | - |
| Debt Service | <u>3,637,652</u> | <u>-</u> |
| Total | <u>\$ 4,035,739</u> | <u>\$ 4,035,739</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2022:

| | Balance July 1, 2021 | Adjustments | Adjusted Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|-------------------------|-------------------|-------------------------------------|---------------------|---------------------|--------------------------|
| Governmental activities: | | | | | | |
| Capital assets not subject to depreciation: | | | | | | |
| Land and land improvements | \$ 1,149,371 | \$ - | \$ 1,149,371 | \$ - | \$ - | \$ 1,149,371 |
| Construction in progress | 205,753 | - | 205,753 | - | - | 205,753 |
| Total capital assets not subject to depreciation | <u>\$ 1,355,124</u> | <u>\$ -</u> | <u>\$ 1,355,124</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,355,124</u> |
| Capital assets subject to depreciation: | | | | | | |
| Buildings and improvements | \$ 4,013,742 | \$ - | \$ 4,013,742 | \$ 247,341 | \$ - | \$ 4,261,083 |
| Equipment | 8,122,104 | 156,931 | 8,279,035 | 328,860 | 461,155 | 8,146,740 |
| Building under lease | - | 255,631 | 255,631 | - | - | 255,631 |
| Equipment under lease | - | 52,234 | 52,234 | - | - | 52,234 |
| Intangibles | 2,816,258 | - | 2,816,258 | - | 8,910 | 2,807,348 |
| Jointly owned assets | 24,324,851 | - | 24,324,851 | - | 2,567,936 | 21,756,915 |
| Total capital assets subject to depreciation | <u>\$ 39,276,955</u> | <u>\$ 464,796</u> | <u>\$ 39,741,751</u> | <u>\$ 576,201</u> | <u>\$ 3,038,001</u> | <u>\$ 37,279,951</u> |
| Accumulated depreciation: | | | | | | |
| Buildings and improvements | \$ 2,171,427 | \$ - | \$ 2,171,427 | \$ 111,057 | \$ - | \$ 2,282,484 |
| Equipment | 5,389,005 | 32,486 | 5,421,491 | 504,587 | 295,723 | 5,630,355 |
| Building under lease | - | - | - | 82,908 | - | 82,908 |
| Equipment under lease | - | - | - | 20,793 | - | 20,793 |
| Intangibles | 1,651,586 | - | 1,651,586 | 56,813 | 8,910 | 1,699,489 |
| Jointly owned assets | 8,624,768 | - | 8,624,768 | 543,578 | 967,888 | 8,200,458 |
| Total accumulated depreciation | <u>\$ 17,836,786</u> | <u>\$ 32,486</u> | <u>\$ 17,869,272</u> | <u>\$ 1,319,736</u> | <u>\$ 1,272,521</u> | <u>\$ 17,916,487</u> |
| Total capital assets subject to depreciation, net | <u>\$ 21,440,169</u> | <u>\$ 432,310</u> | <u>\$ 21,872,479</u> | <u>\$ (743,535)</u> | <u>\$ 1,765,480</u> | <u>\$ 19,363,464</u> |
| Governmental activities capital assets, net | <u>\$ 22,795,293</u> | <u>\$ 432,310</u> | <u>\$ 23,227,603</u> | <u>\$ (743,535)</u> | <u>\$ 1,765,480</u> | <u>\$ 20,718,588</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 6—Capital Assets: (Continued)

| Component Unit-School Board: | Balance July 1, 2021 | Adjustments | Adjusted Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|-------------------------|-------------|-------------------------------------|--------------|--------------|--------------------------|
| Capital assets not subject to depreciation: | | | | | | |
| Land and land improvements | \$ 42,822 | \$ - | \$ 42,822 | \$ - | \$ - | \$ 42,822 |
| Total capital assets not subject to depreciation | \$ 42,822 | \$ - | \$ 42,822 | \$ - | \$ - | \$ 42,822 |
| Capital assets subject to depreciation: | | | | | | |
| Buildings and improvements | \$ 284,212 | \$ - | \$ 284,212 | \$ 341,851 | \$ - | \$ 626,063 |
| Equipment | 5,213,184 | - | 5,213,184 | 1,131,800 | - | 6,344,984 |
| Equipment under lease | - | 82,692 | 82,692 | - | - | 82,692 |
| Jointly owned assets | 21,074,902 | - | 21,074,902 | 2,567,936 | - | 23,642,838 |
| Total capital assets subject to depreciation | \$ 26,572,298 | \$ 82,692 | \$ 26,654,990 | \$ 4,041,587 | \$ - | \$ 30,696,577 |
| Accumulated depreciation: | | | | | | |
| Buildings and improvements | \$ 8,808 | \$ - | \$ 8,808 | \$ 3,043 | \$ - | \$ 11,851 |
| Equipment | 3,051,263 | - | 3,051,263 | 412,545 | - | 3,463,808 |
| Equipment under lease | - | - | - | 57,630 | - | 57,630 |
| Jointly owned assets | 7,472,446 | - | 7,472,446 | 470,952 | (967,888) | 8,911,286 |
| Total accumulated depreciation | \$ 10,532,517 | \$ - | \$ 10,532,517 | \$ 944,170 | \$ (967,888) | \$ 12,444,575 |
| Total capital assets subject to depreciation, net | \$ 16,039,781 | \$ 82,692 | \$ 16,122,473 | \$ 3,097,417 | \$ 967,888 | \$ 18,252,002 |
| Component unit school board capital assets, net | \$ 16,082,603 | \$ 82,692 | \$ 16,165,295 | \$ 3,097,417 | \$ 967,888 | \$ 18,294,824 |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 6—Capital Assets: (Continued)

| Component Unit-Airport: | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|-------------------------|--------------|-----------|--------------------------|
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 4,774,900 | \$ - | \$ - | \$ 4,774,900 |
| Construction in progress | 181,994 | 209,744 | - | 391,738 |
| Total capital assets not subject to depreciation | \$ 4,956,894 | \$ 209,744 | \$ - | \$ 5,166,638 |
| Capital assets subject to depreciation: | | | | |
| Improvements other than buildings | \$ 576,503 | \$ - | \$ - | \$ 576,503 |
| Buildings | 4,096,677 | - | - | 4,096,677 |
| Infrastructure | 6,651,863 | - | - | 6,651,863 |
| Furniture | 25,799 | - | - | 25,799 |
| Equipment | 25,803 | - | - | 25,803 |
| Total capital assets subject to depreciation | \$ 11,376,645 | \$ - | \$ - | \$ 11,376,645 |
| Accumulated depreciation: | | | | |
| Improvements other than buildings | \$ 345,984 | \$ 28,825 | \$ - | \$ 374,809 |
| Buildings | 1,549,404 | 136,556 | - | 1,685,960 |
| Infrastructure | 4,510,535 | 343,616 | - | 4,854,151 |
| Furniture | 25,799 | - | - | 25,799 |
| Equipment | 22,683 | 780 | - | 23,463 |
| Total accumulated depreciation | \$ 6,454,405 | \$ 509,777 | \$ - | \$ 6,964,182 |
| Total capital assets subject to depreciation, net | \$ 4,922,240 | \$ (509,777) | \$ - | \$ 4,412,463 |
| Component unit airport capital assets, net | \$ 9,879,134 | \$ (300,033) | \$ - | \$ 9,579,101 |

Depreciation expense was charged to functions/programs as follows:

| | |
|-----------------------------------|--------------|
| Primary Government: | |
| Governmental activities: | |
| General government administration | \$ 76,645 |
| Judicial administration | 68,923 |
| Public safety | 442,814 |
| Public works | 92,361 |
| Health and welfare | 85,522 |
| Education | 543,578 |
| Parks, recreation and cultural | 9,893 |
| Total Governmental activities | \$ 1,319,736 |
| Component Unit School Board | \$ 944,170 |
| Component Unit Airport | \$ 509,777 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the year ended June 30, 2022:

| | Balance at July 1, 2021 | Adjustments | Adjusted Balance at July 1, 2021 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2022 | Amounts Due Within One Year |
|--|----------------------------|-------------|--|-------------------------|---------------------------|-----------------------------|-----------------------------------|
| Governmental Activities Obligations: | | | | | | | |
| Incurred by County: | | | | | | | |
| Compensated absences | \$ 393,331 | \$ - | \$ 393,331 | \$ 14,506 | \$ 39,333 | \$ 368,504 | \$ 36,850 |
| Net OPEB liabilities | 371,570 | - | 371,570 | 119,287 | 203,982 | 286,875 | - |
| Capital financing activities | 269,984 | - | 269,984 | - | 35,033 | 234,951 | 36,150 |
| Lease liabilities | - | 307,865 | 307,865 | - | 107,685 | 200,180 | 100,924 |
| Direct borrowings and placements: | | | | | | | |
| Lease revenue bonds | 2,467,577 | - | 2,467,577 | - | 429,875 | 2,037,702 | 447,082 |
| Add deferred amounts: | | | | | | | |
| For issuance premium | 278,704 | - | 278,704 | - | 82,496 | 196,208 | - |
| Total incurred by County | \$ 3,781,166 | \$ 307,865 | \$ 4,089,031 | \$ 133,793 | \$ 898,404 | \$ 3,324,420 | \$ 621,006 |
| Incurred by School Board: | | | | | | | |
| Direct borrowings and placements: | | | | | | | |
| General obligation bonds | \$ 11,537,661 | \$ - | \$ 11,537,661 | \$ - | \$ 1,383,502 | \$ 10,154,159 | \$ 912,093 |
| Add deferred amounts: | | | | | | | |
| For issuance premium | 566,539 | - | 566,539 | - | 87,345 | 479,194 | - |
| Lease revenue bonds | 4,162,423 | - | 4,162,423 | - | 760,125 | 3,402,298 | 787,918 |
| Total incurred by School Board | \$ 16,266,623 | \$ - | \$ 16,266,623 | \$ - | \$ 2,230,972 | \$ 14,035,651 | \$ 1,700,011 |
| Total Governmental Activities Obligations, Primary Government | \$ 20,047,789 | \$ 307,865 | \$ 20,355,654 | \$ 133,793 | \$ 3,129,376 | \$ 17,360,071 | \$ 2,321,017 |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending June 30 | County Obligations | | | |
|---------------------------|--|-------------------|---------------------------------|------------------|
| | Direct Borrowings and Direct Placements | | Capital Financing Activities | |
| | Lease Revenue Bonds | | | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 447,082 | \$ 73,150 | \$ 36,150 | \$ 7,495 |
| 2024 | 462,719 | 57,953 | 37,303 | 6,342 |
| 2025 | 476,786 | 41,748 | 38,493 | 5,152 |
| 2026 | 317,519 | 25,233 | 39,721 | 3,924 |
| 2027 | 333,596 | 8,548 | 40,988 | 2,657 |
| 2028 | - | - | 42,296 | 1,349 |
| Total | <u>\$ 2,037,702</u> | <u>\$ 206,632</u> | <u>\$ 234,951</u> | <u>\$ 26,919</u> |

| Year Ending June 30 | County Obligations Lease Liabilities | |
|---------------------------|---|-----------------|
| | Principal | Interest |
| | 2023 | \$ 100,924 |
| 2024 | 88,466 | 601 |
| 2025 | 10,203 | 36 |
| 2026 | 587 | 4 |
| Total | <u>\$ 200,180</u> | <u>\$ 2,208</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

| Year Ending June 30 | School Obligations Direct Borrowings and Direct Placements | | | |
|---------------------------|---|---------------------|------------------------|-------------------|
| | General Obligation Bonds | | Lease Revenue Bonds | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 912,093 | \$ 227,298 | \$ 787,918 | \$ 110,843 |
| 2024 | 913,986 | 210,404 | 812,281 | 87,580 |
| 2025 | 917,352 | 192,038 | 833,214 | 62,614 |
| 2026 | 920,895 | 173,496 | 472,481 | 37,548 |
| 2027 | 924,621 | 154,769 | 496,404 | 12,720 |
| 2028 | 1,473,545 | 124,810 | - | - |
| 2029 | 1,125,555 | 89,870 | - | - |
| 2030 | 1,150,556 | 66,404 | - | - |
| 2031 | 1,170,556 | 43,339 | - | - |
| 2032 | 645,000 | 14,673 | - | - |
| Total | <u>\$ 10,154,159</u> | <u>\$ 1,297,101</u> | <u>\$ 3,402,298</u> | <u>\$ 311,305</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-term Obligations:

| Incurring Entity | Notes | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|--|---------|----------------|-------------|---------------------|--------------------------|---------------------------------|----------------------------|
| Incurring by the County: | | | | | | | |
| Compensated absences (payable from the General Fund) | | | | | | \$ 368,504 | \$ 36,850 |
| Net OPEB liabilities (payable from the General Fund) | | | | | | \$ 286,875 | \$ - |
| Lease Liabilities: | | | | | | | |
| Office space - Social Services | | 1.00% | 7/1/2021 | 7/1/2024 | \$ 255,631 | \$ 173,441 | \$ 82,801 |
| Copier - Social Services | | 1.00% | 7/1/2021 | 11/1/2023 | 4,837 | 3,362 | 1,485 |
| Mailing equipment - Social Services | | 0.75% | 7/1/2021 | 11/1/2023 | 2,722 | 1,637 | 1,089 |
| Mailing equipment - Treasurer | | 1.17% | 7/1/2021 | 6/1/2025 | 8,047 | 6,065 | 1,998 |
| Mailing equipment - County Administration | | 1.34% | 7/1/2021 | 6/1/2026 | 3,628 | 2,877 | 753 |
| Copiers (2) - Clerk of Circuit Court | | 0.75% | 7/1/2021 | 5/1/2023 | 9,701 | 4,654 | 4,654 |
| Phone system - County | | 0.75% | 7/1/2021 | 10/1/2022 | 23,299 | 8,144 | 8,144 |
| Total lease liabilities | | | | | | \$ 200,180 | \$ 100,924 |
| Direct borrowings and placements: | | | | | | | |
| Lease Revenue Bonds: | | | | | | | |
| Public Facility Lease Revenue Refunding Bond \$2,037,702, plus unamortized premium of \$196,208 | (a) (b) | 5.125% | 11/18/2020 | 10/1/2026 | \$2,313,767 | \$ 2,233,910 | \$ 447,082 |
| Total Lease Revenue Bonds | | | | | | \$ 2,233,910 | \$ 447,082 |
| Other long-term debt: | | | | | | | |
| Capital Financing Activities: | | | | | | | |
| EMS communications equipment | | 3.19% | 9/1/2017 | 9/1/2027 | \$ 368,716 | \$ 234,951 | \$ 36,150 |
| Total long-term obligations incurred by the County | | | | | | \$ 3,324,420 | \$ 621,006 |
| Incurring by the School Board: | | | | | | | |
| Direct borrowings and placements: | | | | | | | |
| General Obligation Bonds: | | | | | | | |
| VPSA Bond \$2,184,159, plus unamortized premium of \$12,862 | (c) | 4.00% | 11/1/2007 | 7/15/2027 | \$6,919,103 | \$ 2,197,021 | \$ 356,537 |
| VPSA Bond Outstanding | (d) | 4.25% | 12/15/2011 | 12/1/2030 | 10,000,000 | 5,000,000 | 555,556 |
| VPSA Bond \$2,970,000, plus unamortized premium of \$141,868 | (d) | 4.26% | 5/10/2012 | 7/15/2031 | 2,970,000 | 3,111,868 | - |
| Lease Revenue Bonds: | | | | | | | |
| Public Facility Lease Revenue Refunding Bond \$3,402,298, plus unamortized premium of \$324,464 | (a) (b) | 5.125% | 11/18/2020 | 10/1/2026 | 3,826,233 | 3,726,762 | 787,918 |
| Total General Obligation and Lease Revenue Bonds | | | | | | \$ 14,035,651 | \$ 1,700,011 |
| Total Direct Borrowings and Placements | | | | | | \$ 14,035,651 | \$ 1,700,011 |
| Total long-term obligations incurred by School Board, payable from the General Fund | | | | | | \$ 14,035,651 | \$ 1,700,011 |
| Total outstanding debt - governmental activities | | | | | | \$ 17,360,071 | \$ 2,321,017 |

- (a) Title to leased real estate and improvements are held by the County. E-911 communications and park land acquisition purchased.
- (b) In the event of default, VRA may declare all unpaid rental payments due and payable, may take possession of real estate and improvements and sell, lease or sublease property to satisfy the rental payments due to VRA. Bonds maturing on or after November 1, 2022, may be redeemed in whole or in part after November 1, 2021 without penalty.
- (c) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments on this bond are not subject to redemption or prepayment.
- (d) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments are not subject to prepayment prior to their stated maturities without the prior written consent of the VPSA.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-term Obligations: (Continued)

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2022.

| | Balance at July 1, 2021 | Adjustments | Adjusted Balance at July 1, 2021 | Increases | Decreases | Balance at June 30, 2022 | Due Within One Year |
|-----------------------------------|----------------------------|------------------|--|---------------------|---------------------|-----------------------------|------------------------|
| Component Unit-School Board: | | | | | | | |
| Compensated absences | \$ 118,007 | \$ - | \$ 118,007 | \$ 96,118 | \$ 11,801 | \$ 202,324 | \$ 20,232 |
| Net pension liabilities | 13,381,094 | - | 13,381,094 | 3,154,487 | 9,506,096 | 7,029,485 | - |
| Net OPEB liabilities | 1,970,621 | - | 1,970,621 | 489,225 | 685,245 | 1,774,601 | - |
| Lease liabilities | - | 82,692 | 82,692 | - | 57,510 | 25,182 | 24,543 |
| Total Component Unit-School Board | <u>\$ 15,469,722</u> | <u>\$ 82,692</u> | <u>\$ 15,552,414</u> | <u>\$ 3,739,830</u> | <u>\$10,260,652</u> | <u>\$ 9,031,592</u> | <u>\$ 44,775</u> |

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending June 30 | <u>Component Unit - School Board</u> <u>Lease Liabilities</u> | |
|---------------------------|--|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 24,543 | \$ 48 |
| 2024 | 639 | 3 |
| Total | <u>\$ 25,182</u> | <u>\$ 51</u> |

Details of Long-term Obligations:

| Incurring Entity | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|--|-------------------|----------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Incurring by the Component Unit School Board | | | | | | |
| Compensated absences (payable from the School Operating Fund) | | | | | \$ 202,324 | \$ 20,232 |
| Net pension liability (payable from the School Operating Fund) | | | | | \$ 7,029,485 | \$ - |
| Net OPEB liabilities (payable from the School Operating Fund) | | | | | \$ 1,774,601 | \$ - |
| Lease Liabilities: | | | | | | |
| Copier | 0.62% | 7/1/2021 | 11/1/2022 | \$ 8,037 | \$ 2,370 | \$ 2,370 |
| Mailing equipment | 1.00% | 7/1/2021 | 1/1/2024 | 2,326 | 1,484 | 845 |
| Copiers | 0.62% | 7/1/2021 | 8/1/2022 | 72,330 | 21,328 | 21,328 |
| Total lease liabilities | | | | | \$ 25,182 | \$ 24,543 |
| Total long-term obligations - Component Unit School Board | | | | | \$ 9,031,592 | \$ 44,775 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 7—Long-Term Obligations: (Continued)

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2022.

| | Balance at July 1, 2021 | Increases | Decreases | Balance at June 30, 2022 | Due Within One Year |
|---|----------------------------|-----------|-----------|-----------------------------|------------------------|
| Component Unit-Airport: | | | | | |
| Direct borrowing and placement revenue bond | \$ 745,174 | \$ - | \$ 63,838 | \$ 681,336 | \$ 64,591 |

| Year | Revenue Bond | | |
|-----------|-------------------|------------------|----------|
| | Ending June 30 | Principal | Interest |
| 2023 | \$ 64,591 | \$ 7,837 | |
| 2024 | 65,353 | 7,075 | |
| 2025 | 66,124 | 6,304 | |
| 2026 | 66,905 | 5,523 | |
| 2027 | 67,695 | 4,733 | |
| 2028-2032 | 350,668 | 11,473 | |
| Total | <u>\$ 681,336</u> | <u>\$ 42,945</u> | |

Direct borrowing and placement revenue bond:

\$1,272,000 taxable revenue bond dated March 21, 2007, originally at 4.54% interest reset to 1.18% on November 16, 2020, due in semi-annual combined principal and interest installments of \$72,428 beginning January 1, 2021 through July 1, 2032. In the event of default, the principal on this bond may be declared immediately due and payable by the registered owner of the bond by written notice to the Airport Authority.

\$ 681,336

Note 8—Leases Receivable:

The Component Unit Airport leases land to a tenant under a lease contract. In fiscal year 2022, the Airport recognized principal and interest revenue in the amount of \$1,053 and \$130, respectively. A description of the lease is as follows:

| Lease Description | Interest Rate | Annual Installments | Start Date | End Date | Payment Frequency | Ending Balance |
|-------------------|------------------|------------------------|---------------|-------------|----------------------|-------------------|
| Farmland | 1.77% | \$ 1,200 | 2021 | 2028 | Annual | <u>\$ 6,771</u> |

There are no variable payments for the lease receivable above.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 8—Leases Receivable: (Continued)

Expected future payments at June 30, 2022 are follows:

| Year Ended June 30 | Governmental Activities | | |
|-----------------------|-------------------------|---------------|-----------------|
| | Principal | Interest | Total |
| 2023 | \$ 1,079 | \$ 121 | \$ 1,200 |
| 2024 | 1,098 | 102 | 1,200 |
| 2025 | 1,118 | 82 | 1,200 |
| 2026 | 1,138 | 62 | 1,200 |
| 2027 | 1,158 | 42 | 1,200 |
| 2028 | 1,180 | 20 | 1,200 |
| Total | <u>\$ 6,771</u> | <u>\$ 429</u> | <u>\$ 7,200</u> |

Note 9—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. At June 30, 2022, deferred and unavailable revenue are reported as follows:

| | Government-wide Statements | Balance Sheet |
|--|-------------------------------|-----------------------|
| | Governmental Activities | Governmental Funds |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | \$ - | \$ 2,071,843 |
| 2nd half assessments due in December 2022 | 8,334,869 | 8,334,869 |
| Prepaid property taxes due in December 2022 but paid in advance by | 251,294 | 251,294 |
| | <u>\$ 8,586,163</u> | <u>\$ 10,658,006</u> |

Note 10—Commitments and Contingent Liabilities:

Federal programs in which the County and discretely presented component unit School Board participate were audited in accordance with the provisions Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 11—Litigation:

At June 30, 2022, there were no matters of litigation involving the County or its Component Units which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Risk Management:

The County and Component Units are exposed to various risks of loss related to torts; theft of and or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County, Component Unit School Board, and Component Units EDA and Airport participate with other localities in a public entity risk pool for their coverage of worker's compensation public officials' liability with VACORP. The County, Component Unit School Board, and Component Units EDA and Airport pay an annual premium to the pool for general insurance through member premiums. The County, Component Unit School Board, and Component Units EDA and Airport continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13—Pension Plans:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 13—Pension Plans: (Continued)

Benefit Structures (Continued)

- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Primary Government | Component Unit School Board (Nonprofessional) |
|--|-----------------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 62 | 42 |
| Inactive members: | | |
| Vested inactive members | 11 | 6 |
| Non-vested inactive members | 20 | 11 |
| Inactive members active elsewhere in VRS | 54 | 9 |
| Total inactive members | 85 | 26 |
| Active members | 87 | 32 |
| Total covered employees | 234 | 100 |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County’s contractually required employer contribution rate for the year ended June 30, 2022 was 7.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$310,549 and \$294,838 for the years ended June 30, 2022 and June 30, 2021, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2022 was 8.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$45,915 and \$45,118 for the years ended June 30, 2022 and June 30, 2021, respectively.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Net Pension Asset

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension assets were measured as of June 30, 2021. The total pension liabilities used to calculate the net pension assets were determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non- Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|-----------------------------------|--|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

| | Primary Government | | |
|---|--------------------------------------|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2020 | \$ 16,988,218 | \$ 17,051,218 | \$ (63,000) |
| Changes for the year: | | | |
| Service cost | \$ 483,333 | \$ - | \$ 483,333 |
| Interest | 1,114,619 | - | 1,114,619 |
| Differences between expected and actual experience | (93,391) | - | (93,391) |
| Assumption changes | 526,181 | - | 526,181 |
| Contributions - employer | - | 294,839 | (294,839) |
| Contributions - employee | - | 213,742 | (213,742) |
| Net investment income | - | 4,629,487 | (4,629,487) |
| Benefit payments, including refunds | (950,682) | (950,682) | - |
| Administrative expenses | - | (11,642) | 11,642 |
| Other changes | - | 436 | (436) |
| Net changes | <u>\$ 1,080,060</u> | <u>\$ 4,176,180</u> | <u>\$ (3,096,120)</u> |
| Balances at June 30, 2021 | <u>\$ 18,068,278</u> | <u>\$ 21,227,398</u> | <u>\$ (3,159,120)</u> |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2020 | \$ 4,676,111 | \$ 4,229,391 | \$ 446,720 |
| Changes for the year: | | | |
| Service cost | \$ 53,259 | \$ - | \$ 53,259 |
| Interest | 304,906 | - | 304,906 |
| Differences between expected and actual experience | 47,858 | - | 47,858 |
| Assumption changes | 163,561 | - | 163,561 |
| Contributions - employer | - | 45,118 | (45,118) |
| Contributions - employee | - | 26,526 | (26,526) |
| Net investment income | - | 1,126,148 | (1,126,148) |
| Benefit payments, including refunds | (317,964) | (317,964) | - |
| Administrative expenses | - | (2,962) | 2,962 |
| Other changes | - | 105 | (105) |
| Net changes | \$ 251,620 | \$ 876,971 | \$ (625,351) |
| Balances at June 30, 2021 | \$ 4,927,731 | \$ 5,106,362 | \$ (178,631) |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's | | | |
| Net Pension Liability (Asset) | \$ (877,961) | \$ (3,159,120) | \$ (5,046,251) |
| Component Unit School Board's (Nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 329,902 | \$ (178,631) | \$ (610,255) |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$390,552) and (\$22,037), respectively. At June 30, 2022, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit School Board (Nonprofessional) | |
|--|--------------------------------|-------------------------------|---|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 370 | \$ 292,240 | \$ 23,565 | \$ - |
| Change in assumptions | 351,860 | - | 80,535 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,296,224 | - | 553,651 |
| Employer contributions subsequent to the measurement date | 310,549 | - | 45,915 | - |
| Total | \$ 662,779 | \$ 2,588,464 | \$ 150,015 | \$ 553,651 |

\$310,549 and \$45,915 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (Nonprofessional) |
|--------------------|--------------------|---|
| 2023 | \$ (609,154) | \$ (25,317) |
| 2024 | (393,320) | (125,689) |
| 2025 | (534,995) | (128,731) |
| 2026 | (698,765) | (169,814) |
| 2027 | - | - |
| Thereafter | - | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the System). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually employer required contribution rate for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,335,118 and \$1,281,054 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the school division reported a liability of \$7,029,485 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .09055% as compared to .08888% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of (\$281,499). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience \$ | - | \$ 598,729 |
| Change in assumptions | 1,231,547 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 4,429,793 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 177,848 | 824,352 |
| Employer contributions subsequent to the measurement date | <u>1,335,118</u> | <u>-</u> |
| Total | <u>\$ 2,744,513</u> | <u>\$ 5,852,874</u> |

\$1,335,118 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|----------------|
| 2023 | \$ (1,238,280) |
| 2024 | (1,003,183) |
| 2025 | (979,585) |
| 2026 | (1,224,079) |
| 2027 | 1,648 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.95% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|---|---|
| Total Pension Liability | \$ 53,381,141 |
| Plan Fiduciary Net Position | 45,617,878 |
| Employers' Net Pension Liability (Asset) | <u>\$ 7,763,263</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 85.46% |

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|-------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$ | 13,566,525 | \$ 7,029,485 | \$ 1,651,896 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

| | Primary Government | | | | Component Unit School Board | | | | |
|------------------------------|---------------------|-------------------|---------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------|---------------------|
| | Net Pension Asset | Deferred Outflows | Deferred Inflows | Pension Expense | Net Pension Asset | Deferred Outflows | Deferred Inflows | Net Pension Liability | Pension Expense |
| VRS Pension Plans: | | | | | | | | | |
| Primary Government | \$ 3,159,120 | \$ 662,779 | \$ 2,588,464 | \$ (390,552) | \$ - | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 178,631 | 150,015 | 553,651 | - | (22,037) |
| School Board Professional | - | - | - | - | - | 2,744,513 | 5,852,874 | 7,029,485 | (281,499) |
| Totals | <u>\$ 3,159,120</u> | <u>\$ 662,779</u> | <u>\$ 2,588,464</u> | <u>\$ (390,552)</u> | <u>\$ 178,631</u> | <u>\$ 2,894,528</u> | <u>\$ 6,406,525</u> | <u>\$ 7,029,485</u> | <u>\$ (303,536)</u> |

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Note 14—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple- employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions,

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions (Continued)

was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the County were \$26,344 and \$24,186 for the years ended June 30, 2022 and June 30, 2021, respectively.

Contributions to the GLI Plan from the Component Unit School Board professional group were \$44,999 and \$43,405 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$3,233 and \$3,203 for the years ended June 30, 2022 and June 30, 2021, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2022, the County reported a liability of \$252,530 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$453,251 and \$33,415, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the County's proportion was .02170% as compared to .01980% at June 30, 2020. At June 30, 2021, the Component Unit School Board professional and nonprofessional groups' proportions were .03890% and .00290%, respectively as compared to .03820% and .00280%, respectively at June 30, 2020.

For the year ended June 30, 2022, the County recognized GLI OPEB expense of \$10,769. For the year ended June 30, 2022, the Component Unit School Board professional group recognized GLI OPEB expense of \$1,459. For the year ended June 30, 2022, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$63. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Primary Government | | Component School Board (Professional) | | Component School Board (Nonprofessional) | |
|--|--------------------------------------|-------------------------------------|--|-------------------------------------|---|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 28,802 | \$ 1,924 | \$ 51,695 | \$ 3,454 | \$ 3,811 | \$ 255 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 60,274 | - | 108,181 | - | 7,975 |
| Change in assumptions | 13,922 | 34,552 | 24,988 | 62,014 | 1,842 | 4,572 |
| Changes in proportionate share | 23,271 | 10,467 | 9,604 | 52,025 | 616 | 5,209 |
| Employer contributions subsequent to the measurement date | 26,344 | - | 44,999 | - | 3,233 | - |
| Total | \$ 92,339 | \$ 107,217 | \$ 131,286 | \$ 225,674 | \$ 9,502 | \$ 18,011 |

\$26,344, \$44,999, and \$3,233 reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (Professional) | Component Unit School Board (Nonprofessional) |
|-----------------------|-----------------------|--|---|
| 2023 | \$ (12,018) | \$ (39,439) | \$ (2,952) |
| 2024 | (8,225) | (32,308) | (2,581) |
| 2025 | (6,944) | (25,297) | (2,565) |
| 2026 | (14,977) | (36,859) | (3,175) |
| 2027 | 942 | (5,484) | (469) |
| Thereafter | - | - | - |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Teachers | 3.50%-5.95% |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses; including inflation |

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

| | GLI OPEB Plan |
|--|-----------------------------|
| | <u> </u> |
| Total GLI OPEB Liability | \$ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| Employers' Net GLI OPEB Liability (Asset) | \$ <u><u>1,164,272</u></u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Long-term Target Asset Allocation</u> | <u>Arithmetic Long-term Expected Rate of Return</u> | <u>Weighted Average Long-term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | <u>100.00%</u> | | <u>4.89%</u> |
| | | Inflation | <u>2.50%</u> |
| | | Expected arithmetic nominal return* | <u>7.39%</u> |

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate (Continued)

Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County’s proportionate share of the GLI Plan Net OPEB Liability | \$ 368,956 | \$ 252,530 | \$ 158,511 |
| Component School Board (Professional)’s proportionate share of the GLI Plan Net OPEB Liability | \$ 662,216 | \$ 453,251 | \$ 284,502 |
| Component School Board (Nonprofessional)’s proportionate share of the GLI Plan Net OPEB Liability | \$ 48,820 | \$ 33,415 | \$ 20,974 |

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | <u>Primary Government</u> | <u>Component Unit School Board (Nonprofessional)</u> |
|--|-------------------------------|--|
| Inactive members or their beneficiaries currently receiving benefits | 8 | 22 |
| Inactive members: | | |
| Vested inactive members | 1 | - |
| Non-vested inactive members | - | - |
| Inactive members active elsewhere in VRS | - | - |
| Total inactive members | 9 | 22 |
| Active members | 34 | 32 |
| Total covered employees | <u>43</u> | <u>54</u> |

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County and School Board’s contractually required employer contribution rate for the year ended June 30, 2022 was .48% and 1.68% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the HIC Plan were \$9,788 and \$9,070 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the School Board to the HIC Plan were \$9,857 and \$9,938 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The County and School Board’s net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

| | |
|--|---|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

| | Primary Government | | |
|---|---------------------------------------|--|---|
| | Increase (Decrease) | | |
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2020 | \$ 64,471 | \$ 23,331 | \$ 41,140 |
| Changes for the year: | | | |
| Service cost | \$ 1,954 | \$ - | \$ 1,954 |
| Interest | 4,201 | - | 4,201 |
| Differences between expected and actual experience | 523 | - | 523 |
| Assumption changes | 2,116 | - | 2,116 |
| Contributions - employer | - | 9,070 | (9,070) |
| Net investment income | - | 6,612 | (6,612) |
| Benefit payments | (4,447) | (4,447) | - |
| Administrative expenses | - | (93) | 93 |
| Net changes | \$ 4,347 | \$ 11,142 | \$ (6,795) |
| Balances at June 30, 2021 | \$ 68,818 | \$ 34,473 | \$ 34,345 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Changes in Net HIC OPEB Liability (Continued)

| | Component Unit School Board (Nonprofessional) | | |
|---|---|--|---|
| | Increase (Decrease) | | |
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2020 | \$ 123,010 | \$ - | \$ 123,010 |
| Changes for the year: | | | |
| Service cost | \$ 1,139 | \$ - | \$ 1,139 |
| Interest | 8,303 | - | 8,303 |
| Differences between expected and actual experience | (1) | - | (1) |
| Assumption changes | 4,092 | - | 4,092 |
| Contributions - employer | - | 9,938 | (9,938) |
| Net investment income | - | 1,113 | (1,113) |
| Administrative expenses | - | (43) | 43 |
| Net changes | \$ 13,533 | \$ 11,008 | \$ 2,525 |
| Balances at June 30, 2021 | \$ 136,543 | \$ 11,008 | \$ 125,535 |

Sensitivity of the County and School Board's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the County and School Board's HIC Plan net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what the County and School Board's net HIC OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|---|-------------|------------------|-------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Primary Government: | | | |
| Net HIC OPEB Liability | \$ 41,051 | \$ 34,345 | \$ 28,594 |
| Component Unit School Board (Nonprofessional): | | | |
| Net HIC OPEB Liability | \$ 137,612 | \$ 125,535 | \$ 115,049 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 15—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2022, the County and School Board recognized HIC Program OPEB expense of \$4,967 and \$10,132. At June 30, 2022, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board’s HIC Plan from the following sources:

| | Primary Government | | Component Unit School Board (Nonprofessional) | |
|---|--------------------------------|-------------------------------|---|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 6,285 | \$ 2,875 | \$ - | \$ 1 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 3,265 | - | 623 |
| Change in assumptions | 2,479 | 194 | 2,955 | - |
| Employer contributions subsequent to the measurement date | 9,788 | - | 9,857 | - |
| Total | \$ 18,552 | \$ 6,334 | \$ 12,812 | \$ 624 |

\$9,788 and \$9,857 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board’s contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | Primary Government | Component Unit School Board (Nonprofessional) |
|--------------------|--------------------|---|
| 2023 | \$ 557 | \$ 981 |
| 2024 | 812 | 981 |
| 2025 | 1,154 | 524 |
| 2026 | (587) | (155) |
| 2027 | 429 | - |
| Thereafter | 65 | - |

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions (Continued)

the VRS Teacher Employee HIC Plan were \$100,635 and \$96,914 for the years ended June 30, 2022 and June 30, 2021, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2022, the school division reported a liability of \$1,162,400 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The school division’s proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division’s proportion of the VRS Teacher Employee HIC Program was .09056% as compared to .08922% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$65,217. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 20,284 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | - | 15,312 |
| Change in assumptions | 31,422 | 4,672 |
| Changes in proportionate share | 14,962 | 120,190 |
| Employer contributions subsequent to the measurement date | <u>100,635</u> | <u>-</u> |
| Total | <u>\$ 147,019</u> | <u>\$ 160,458</u> |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)

\$100,635 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------|
| 2023 | \$ (30,874) |
| 2024 | (31,048) |
| 2025 | (27,816) |
| 2026 | (18,123) |
| 2027 | (6,357) |
| Thereafter | 144 |

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

| | |
|---------------------------------------|--|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50%-5.95% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

| | Teacher Employee HIC OPEB Plan |
|---|---|
| Total Teacher Employee HIC OPEB Liability | \$ 1,477,874 |
| Plan Fiduciary Net Position | 194,305 |
| Teacher Employee net HIC OPEB Liability (Asset) | <u>\$ 1,283,569</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 13.15% |

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Long-term Target Asset Allocation</u> | <u>Arithmetic Long-term Expected Rate of Return</u> | <u>Weighted Average Long-term Expected Rate of Return*</u> |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | <u>100.00%</u> | | <u>4.89%</u> |
| | | Inflation | <u>2.50%</u> |
| | | Expected arithmetic nominal return* | <u>7.39%</u> |

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate (Continued)

Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--|--------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School division’s proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | \$ 1,308,540 | \$ 1,162,400 | \$ 1,038,731 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Summary of Other Postemployment Benefit Plans

Primary Government and Component Unit School Board

| | Primary Government | | | | Component Unit School Board | | | |
|---|--------------------|-------------------|----------------------|------------------|-----------------------------|-------------------|----------------------|------------------|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liabilities | OPEB Expense | Deferred Outflows | Deferred Inflows | Net OPEB Liabilities | OPEB Expense |
| VRS OPEB Plans: | | | | | | | | |
| Group Life Insurance Program (Note 14): | | | | | | | | |
| County | \$ 92,339 | \$ 107,217 | \$ 252,530 | \$ 10,769 | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 9,502 | 18,011 | 33,415 | 63 |
| School Board Professional | - | - | - | - | 131,286 | 225,674 | 453,251 | 1,459 |
| County Health Insurance Credit Program (Note 15) | 18,552 | 6,334 | 34,345 | 4,967 | - | - | - | - |
| Teacher Nonprofessional Health Insurance Credit Program (Note 15) | - | - | - | - | 12,812 | 624 | 125,535 | 10,132 |
| Teacher Health Insurance Credit Program (Note 16) | - | - | - | - | 147,019 | 160,458 | 1,162,400 | 65,217 |
| Totals | <u>\$ 110,891</u> | <u>\$ 113,551</u> | <u>\$ 286,875</u> | <u>\$ 15,736</u> | <u>\$ 300,619</u> | <u>\$ 404,767</u> | <u>\$ 1,774,601</u> | <u>\$ 76,871</u> |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 18—Surety Bonds:

| | <u>Amount</u> |
|---|---------------|
| Commonwealth of Virginia - Department of General Services, Division of Risk Management-Faithful Performance Bond: | |
| G. J. Ashworth, Clerk of the Circuit Court | \$ 103,000 |
| B. A. "Penny" Davis, Treasurer | 300,000 |
| T. M. Blackwell, Commissioner of the Revenue | 3,000 |
| Walter Holmes, Sheriff | 30,000 |
| U. S. Fidelity and Guaranty Company - Surety: | |
| Social Services Employees - Blanket Bonds | 100,000 |
| Commonwealth of Virginia, Division of Risk Management: | |
| County and Component Unit - School Board Employees | 1,000,000 |

Note 19—Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2022 was \$13,516.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 20—Adoption of Accounting Principles:

The County implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

Primary Government:

| | Governmental Activities |
|-------------------|------------------------------------|
| Lessee activity: | |
| Lease assets | \$ 307,865 |
| Lease liabilities | \$ 307,865 |

Component Unit - School Board:

| | Governmental Activities |
|-------------------|------------------------------------|
| Lessee activity: | |
| Lease assets | \$ 82,692 |
| Lease liabilities | \$ 82,692 |

Note 21—Upcoming Pronouncements:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 21—Upcoming Pronouncements: (Continued)

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 22—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2022 and the balance delivered approximately 12 months later.

On August 2, 2021, the County received its share of the first half of the CSLFRF funds in the amount of \$1,063,746. The County received its share of the second half of the CSLFRF funds on August 1, 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. \$989,816 from the initial allocation is reported as unearned revenue as of June 30. In addition, \$32,448 of FEMA grant funds are unspent at June 30, for total unearned revenue of \$1,022,264.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
June 30, 2022

Note 22—COVID-19 Pandemic Funding and Subsequent Events: (Continued)

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor’s Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2021 and added \$81.9 billion to the ESF. In March 2022, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

Note 23—Restatement of Beginning Net Position and Fund Balance:

The following adjustments were made to correct beginning net position and fund balance:

| | <u>Primary Government</u> | <u>Primary Government</u> |
|--|------------------------------------|-------------------------------|
| | <u>Net Position</u> | <u>Fund Balance</u> |
| | <u>Governmental Activities</u> | <u>General Fund</u> |
| Net Position/Fund Balance, June 30, 2021, as previously stated | \$ 13,492,780 | \$ 8,157,706 |
| Restatement: | | |
| Adjustment for accrued payroll | (431,262) | (431,262) |
| Equipment - capital assets, net of accumulated depreciation | 124,445 | - |
| Net Position/Fund Balance, July 1, 2021, as restated | <u>\$ 13,185,963</u> | <u>\$ 7,726,444</u> |

Note 24—Short-term note payable:

On June 8, 2022, the County borrowed \$1,000,000 from a local bank to fund short-term cash needs in anticipation of obtaining permanent financing. Interest was charged at 2.03%, or \$55 daily. The County was charged a \$500 origination fee and interest of \$1,548 was paid when the loan was paid in full on July 6, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund
 For the Year Ended June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - |
|---|-------------------------|-----------------------|---------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| REVENUES | | | | |
| General property taxes | \$ 15,293,865 | \$ 15,293,865 | \$ 16,113,234 | \$ 819,369 |
| Other local taxes | 2,890,250 | 2,890,250 | 3,034,848 | 144,598 |
| Permits, privilege fees, and regulatory licenses | 117,725 | 117,725 | 163,863 | 46,138 |
| Fines and forfeitures | 30,000 | 30,000 | 18,764 | (11,236) |
| Revenue from the use of money and property | 67,500 | 67,500 | 36,835 | (30,665) |
| Charges for services | 398,200 | 398,200 | 510,646 | 112,446 |
| Miscellaneous | 83,900 | 88,846 | 110,016 | 21,170 |
| Recovered costs | 72,185 | 72,185 | 79,262 | 7,077 |
| Intergovernmental: | | | | |
| Commonwealth | 4,653,544 | 4,673,987 | 4,475,834 | (198,153) |
| Federal | 1,521,321 | 2,585,067 | 1,512,506 | (1,072,561) |
| Total revenues | <u>\$ 25,128,490</u> | <u>\$ 26,217,625</u> | <u>\$ 26,055,808</u> | <u>\$ (161,817)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,944,976 | \$ 1,964,616 | \$ 1,892,433 | \$ 72,183 |
| Judicial administration | 844,912 | 867,632 | 878,998 | (11,366) |
| Public safety | 6,103,116 | 5,893,226 | 4,729,650 | 1,163,576 |
| Public works | 2,445,633 | 2,672,211 | 2,499,218 | 172,993 |
| Health and welfare | 3,754,588 | 4,030,530 | 3,632,421 | 398,109 |
| Education | 7,145,742 | 7,145,742 | 6,673,696 | 472,046 |
| Parks, recreation, and cultural | 550,279 | 550,279 | 447,712 | 102,567 |
| Community development | 198,819 | 184,033 | 148,700 | 35,333 |
| Capital projects | 147,300 | 12,150 | 12,150 | - |
| Debt service: | | | | |
| Principal retirement | - | 107,685 | 107,685 | - |
| Interest and other fiscal charges | - | 2,221 | 2,221 | - |
| Total expenditures | <u>\$ 23,135,365</u> | <u>\$ 23,430,325</u> | <u>\$ 21,024,884</u> | <u>\$ 2,405,441</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,993,125</u> | <u>\$ 2,787,300</u> | <u>\$ 5,030,924</u> | <u>\$ 2,243,624</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (3,475,684) | \$ (3,874,915) | \$ (4,035,739) | \$ (160,824) |
| Total other financing sources (uses) | <u>\$ (3,475,684)</u> | <u>\$ (3,874,915)</u> | <u>\$ (4,035,739)</u> | <u>\$ (160,824)</u> |
| Net change in fund balances | \$ (1,482,559) | \$ (1,087,615) | \$ 995,185 | \$ 2,082,800 |
| Fund balances - beginning, as restated | 1,482,559 | 1,087,615 | 7,726,444 | 6,638,829 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,721,629</u> | <u>\$ 8,721,629</u> |

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund
 For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 4,128 | \$ 4,128 |
| Miscellaneous | - | 47,728 | 56,762 | 9,034 |
| Intergovernmental: | | | | |
| Commonwealth | - | - | 2,790 | 2,790 |
| Federal | - | 5,550 | 37,613 | 32,063 |
| Total revenues | \$ - | \$ 53,278 | \$ 101,293 | \$ 48,015 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ - | \$ 77,864 | \$ 85,413 | \$ (7,549) |
| Total expenditures | \$ - | \$ 77,864 | \$ 85,413 | \$ (7,549) |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ (24,586) | \$ 15,880 | \$ 40,466 |
| Net change in fund balances | \$ - | \$ (24,586) | \$ 15,880 | \$ 40,466 |
| Fund balances - beginning | - | 24,586 | 178,553 | 153,967 |
| Fund balances - ending | \$ - | \$ - | \$ 194,433 | \$ 194,433 |

County of Essex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2021

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Total pension liability | | |
| Service cost | \$ 483,333 | \$ 493,214 |
| Interest | 1,114,619 | 1,120,160 |
| Differences between expected and actual experience | (93,391) | (757,273) |
| Changes of assumptions | 526,181 | - |
| Benefit payments | (950,682) | (925,694) |
| Net change in total pension liability | <u>\$ 1,080,060</u> | <u>\$ (69,593)</u> |
| Total pension liability - beginning | 16,988,218 | 17,057,811 |
| Total pension liability - ending (a) | <u><u>\$ 18,068,278</u></u> | <u><u>\$ 16,988,218</u></u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 294,839 | \$ 315,987 |
| Contributions - employee | 213,742 | 198,819 |
| Net investment income | 4,629,487 | 324,455 |
| Benefit payments | (950,682) | (925,694) |
| Administrator charges | (11,642) | (11,176) |
| Other | 436 | (384) |
| Net change in plan fiduciary net position | <u>\$ 4,176,180</u> | <u>\$ (97,993)</u> |
| Plan fiduciary net position - beginning | 17,051,218 | 17,149,211 |
| Plan fiduciary net position - ending (b) | <u><u>\$ 21,227,398</u></u> | <u><u>\$ 17,051,218</u></u> |
| County's net pension liability (asset) - ending (a) - (b) | \$ (3,159,120) | \$ (63,000) |
| Plan fiduciary net position as a percentage of the total pension liability | 117.48% | 100.37% |
| Covered payroll | \$ 4,478,914 | \$ 4,065,224 |
| County's net pension liability (asset) as a percentage of covered payroll | -70.53% | -1.55% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 503,727 | \$ 508,171 | \$ 526,189 | \$ 491,937 | \$ 453,060 | \$ 420,544 |
| | 1,079,088 | 1,056,949 | 1,029,933 | 974,990 | 909,667 | 867,420 |
| | 18,877 | (363,682) | (310,607) | (67,129) | 203,064 | - |
| | 459,815 | - | (72,213) | - | - | - |
| | (838,476) | (931,853) | (642,858) | (586,951) | (678,261) | (690,595) |
| \$ | 1,223,031 | \$ 269,585 | \$ 530,444 | \$ 812,847 | \$ 887,530 | \$ 597,369 |
| | 15,834,780 | 15,565,195 | 15,034,751 | 14,221,904 | 13,334,374 | 12,737,005 |
| \$ | 17,057,811 | \$ 15,834,780 | \$ 15,565,195 | \$ 15,034,751 | \$ 14,221,904 | \$ 13,334,374 |
| \$ | 313,261 | \$ 350,265 | \$ 349,601 | \$ 363,638 | \$ 339,491 | \$ 335,255 |
| | 188,624 | 187,734 | 187,550 | 188,815 | 176,928 | 168,893 |
| | 1,084,332 | 1,149,759 | 1,716,731 | 244,353 | 612,807 | 1,852,569 |
| | (838,476) | (931,853) | (642,858) | (586,951) | (678,261) | (690,595) |
| | (10,804) | (10,054) | (9,823) | (8,532) | (8,433) | (10,053) |
| | (685) | (1,019) | (1,531) | (103) | (129) | 97 |
| \$ | 736,252 | \$ 744,832 | \$ 1,599,670 | \$ 201,220 | \$ 442,403 | \$ 1,656,166 |
| | 16,412,959 | 15,668,127 | 14,068,457 | 13,867,237 | 13,424,834 | 11,768,668 |
| \$ | 17,149,211 | \$ 16,412,959 | \$ 15,668,127 | \$ 14,068,457 | \$ 13,867,237 | \$ 13,424,834 |
| \$ | (91,400) | \$ (578,179) | \$ (102,932) | \$ 966,294 | \$ 354,667 | \$ (90,460) |
| | 100.54% | 103.65% | 100.66% | 93.57% | 97.51% | 100.68% |
| \$ | 3,942,893 | \$ 3,869,587 | \$ 3,832,357 | \$ 3,832,457 | \$ 3,571,499 | \$ 3,382,143 |
| | -2.32% | -14.94% | -2.69% | 25.21% | 9.93% | -2.67% |

County of Essex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2021

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Total pension liability | | |
| Service cost | \$ 53,259 | \$ 57,828 |
| Interest | 304,906 | 304,898 |
| Differences between expected and actual experience | 47,858 | (37,574) |
| Changes of assumptions | 163,561 | - |
| Benefit payments | (317,964) | (332,094) |
| Net change in total pension liability | <u>\$ 251,620</u> | <u>\$ (6,942)</u> |
| Total pension liability - beginning | 4,676,111 | 4,683,053 |
| Total pension liability - ending (a) | <u><u>\$ 4,927,731</u></u> | <u><u>\$ 4,676,111</u></u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 45,118 | \$ 38,985 |
| Contributions - employee | 26,526 | 26,477 |
| Net investment income | 1,126,148 | 83,521 |
| Benefit payments | (317,964) | (332,094) |
| Administrator charges | (2,962) | (2,992) |
| Other | 105 | (95) |
| Net change in plan fiduciary net position | <u>\$ 876,971</u> | <u>\$ (186,198)</u> |
| Plan fiduciary net position - beginning | 4,229,391 | 4,415,589 |
| Plan fiduciary net position - ending (b) | <u><u>\$ 5,106,362</u></u> | <u><u>\$ 4,229,391</u></u> |
| School Board's net pension liability (asset) - ending (a) - (b) | \$ (178,631) | \$ 446,720 |
| Plan fiduciary net position as a percentage of the total pension liability | 103.63% | 90.45% |
| Covered payroll | \$ 591,544 | \$ 579,033 |
| School Board's net pension liability (asset) as a percentage of covered payroll | -30.20% | 77.15% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 12

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----|-----------|--------------|--------------|--------------|--------------|--------------|
| \$ | 61,356 | \$ 58,143 | \$ 58,467 | \$ 61,703 | \$ 93,039 | \$ 106,774 |
| | 300,904 | 291,893 | 301,663 | 302,496 | 302,607 | 292,655 |
| | 54,016 | 57,694 | (201,154) | (82,927) | (85,304) | - |
| | 106,342 | - | (16,304) | - | - | - |
| | (276,384) | (281,623) | (282,863) | (303,484) | (320,380) | (194,111) |
| \$ | 246,234 | \$ 126,107 | \$ (140,191) | \$ (22,212) | \$ (10,038) | \$ 205,318 |
| | 4,436,819 | 4,310,712 | 4,450,903 | 4,473,115 | 4,483,153 | 4,277,835 |
| \$ | 4,683,053 | \$ 4,436,819 | \$ 4,310,712 | \$ 4,450,903 | \$ 4,473,115 | \$ 4,483,153 |
| \$ | 40,539 | \$ 49,459 | \$ 49,936 | \$ 69,993 | \$ 67,266 | \$ 101,076 |
| | 27,282 | 29,579 | 29,524 | 30,098 | 29,178 | 42,330 |
| | 281,596 | 308,427 | 472,233 | 67,292 | 183,178 | 571,427 |
| | (276,384) | (281,623) | (282,863) | (303,484) | (320,380) | (194,111) |
| | (2,945) | (2,779) | (2,866) | (2,626) | (2,695) | (3,092) |
| | (176) | (270) | (415) | (29) | (39) | 30 |
| \$ | 69,912 | \$ 102,793 | \$ 265,549 | \$ (138,756) | \$ (43,492) | \$ 517,660 |
| | 4,345,677 | 4,242,884 | 3,977,335 | 4,116,091 | 4,159,583 | 3,641,923 |
| \$ | 4,415,589 | \$ 4,345,677 | \$ 4,242,884 | \$ 3,977,335 | \$ 4,116,091 | \$ 4,159,583 |
| \$ | 267,464 | \$ 91,142 | \$ 67,828 | \$ 473,568 | \$ 357,024 | \$ 323,570 |
| | 94.29% | 97.95% | 98.43% | 89.36% | 92.02% | 92.78% |
| \$ | 597,045 | \$ 640,606 | \$ 634,849 | \$ 643,497 | \$ 618,647 | \$ 846,582 |
| | 44.80% | 14.23% | 10.68% | 73.59% | 57.71% | 38.22% |

County of Essex, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2021

| | <u>2021</u> | <u>2020</u> |
|---|--------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.09055% | 0.08888% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 7,029,485 | \$ 12,934,374 |
| Employer's Covered Payroll | \$ 8,009,452 | \$ 7,821,613 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 87.76% | 165.37% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 85.46% | 71.47% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 13

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 0.09328% | 0.09591% | 0.10282% | 0.10711% | 0.10692% | 0.10891% |
| \$ 12,276,178 | \$ 11,279,000 | \$ 12,644,000 | \$ 15,011,000 | \$ 13,457,000 | \$ 13,162,000 |
| \$ 7,959,196 | \$ 7,821,155 | \$ 7,968,458 | \$ 8,378,364 | \$ 7,706,572 | \$ 7,931,329 |
| 154.24% | 144.21% | 158.68% | 179.16% | 174.62% | 165.95% |
| 73.51% | 74.81% | 72.92% | 68.28% | 70.68% | 70.88% |

County of Essex, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2013 through June 30, 2022

| Date | Contractually Required Contribution (1)* | Contributions in Relation to Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|---|--|---|---|---|
| Primary Government | | | | | |
| 2022 | \$ 310,549 | \$ 310,549 | \$ - | \$ 4,836,403 | 6.42% |
| 2021 | 294,838 | 294,838 | - | 4,478,914 | 6.58% |
| 2020 | 335,788 | 335,788 | - | 4,065,224 | 8.26% |
| 2019 | 313,245 | 313,245 | - | 3,942,893 | 7.94% |
| 2018 | 350,264 | 350,264 | - | 3,869,587 | 9.05% |
| 2017 | 356,409 | 356,409 | - | 3,832,357 | 9.30% |
| 2016 | 367,533 | 367,533 | - | 3,832,457 | 9.59% |
| 2015 | 342,507 | 342,507 | - | 3,571,499 | 9.59% |
| 2014 | 336,185 | 336,185 | - | 3,382,143 | 9.94% |
| 2013 | 319,935 | 319,935 | - | 3,218,662 | 9.94% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2022 | \$ 45,915 | \$ 45,915 | \$ - | \$ 586,730 | 7.83% |
| 2021 | 45,118 | 45,118 | - | 591,544 | 7.63% |
| 2020 | 43,659 | 43,659 | - | 579,033 | 7.54% |
| 2019 | 40,538 | 40,538 | - | 597,045 | 6.79% |
| 2018 | 49,454 | 49,454 | - | 640,606 | 7.72% |
| 2017 | 53,137 | 53,137 | - | 634,849 | 8.37% |
| 2016 | 72,072 | 72,072 | - | 643,497 | 11.20% |
| 2015 | 69,288 | 69,288 | - | 618,647 | 11.20% |
| 2014 | 102,436 | 102,436 | - | 846,582 | 12.10% |
| 2013 | 107,076 | 107,076 | - | 884,923 | 12.10% |
| Component Unit School Board (professional) | | | | | |
| 2022 | \$ 1,335,118 | \$ 1,335,118 | \$ - | \$ 8,316,918 | 16.05% |
| 2021 | 1,281,054 | 1,281,054 | - | 8,009,452 | 15.99% |
| 2020 | 1,226,429 | 1,226,429 | - | 7,821,613 | 15.68% |
| 2019 | 1,211,635 | 1,211,635 | - | 7,959,196 | 15.22% |
| 2018 | 1,247,323 | 1,247,323 | - | 7,821,155 | 15.95% |
| 2017 | 1,168,176 | 1,168,176 | - | 7,968,458 | 14.66% |
| 2016 | 1,177,998 | 1,177,998 | - | 8,378,364 | 14.06% |
| 2015 | 1,117,453 | 1,117,453 | - | 7,706,572 | 14.50% |
| 2014 | 924,793 | 924,793 | - | 7,931,329 | 11.66% |
| 2013 | 918,386 | 918,386 | - | 7,876,381 | 11.66% |

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

County of Essex, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

All Others (Non-10 Largest) - Hazardous Duty:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Component Unit School Board - Professional Employees:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

County of Essex, Virginia
 Schedule of County's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|--|---|---|---|--|---|
| Primary Government: | | | | | |
| 2021 | 0.02170% \$ | 252,530 \$ | 4,478,914 | 5.64% | 67.45% |
| 2020 | 0.01980% | 330,430 | 4,075,628 | 8.11% | 52.64% |
| 2019 | 0.02010% | 327,243 | 3,942,893 | 8.30% | 52.00% |
| 2018 | 0.02051% | 312,000 | 3,900,226 | 8.00% | 51.22% |
| 2017 | 0.02078% | 312,000 | 3,832,357 | 8.14% | 48.86% |
| Component Unit School Board (professional): | | | | | |
| 2021 | 0.03890% \$ | 453,251 \$ | 8,037,921 | 5.64% | 67.45% |
| 2020 | 0.03820% | 636,661 | 7,852,517 | 8.11% | 52.64% |
| 2019 | 0.04010% | 653,022 | 7,866,058 | 8.30% | 52.00% |
| 2018 | 0.04092% | 621,000 | 7,779,905 | 7.98% | 51.22% |
| 2017 | 0.04403% | 663,000 | 8,122,504 | 8.16% | 48.86% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2021 | 0.00290% \$ | 33,415 \$ | 593,190 | 5.63% | 67.45% |
| 2020 | 0.00280% | 47,061 | 580,679 | 8.10% | 52.64% |
| 2019 | 0.00310% | 49,631 | 597,045 | 8.31% | 52.00% |
| 2018 | 0.00339% | 52,000 | 643,780 | 8.08% | 51.22% |
| 2017 | 0.00346% | 52,000 | 637,921 | 8.15% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Essex, Virginia
 Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government: | | | | | |
| 2022 | \$ 26,344 | \$ 26,344 | \$ - | \$ 4,878,558 | 0.54% |
| 2021 | 24,186 | 24,186 | - | 4,478,914 | 0.54% |
| 2020 | 21,193 | 21,193 | - | 4,075,628 | 0.52% |
| 2019 | 20,503 | 20,503 | - | 3,942,893 | 0.52% |
| 2018 | 20,281 | 20,281 | - | 3,900,226 | 0.52% |
| 2017 | 19,928 | 19,928 | - | 3,832,357 | 0.52% |
| 2016 | 18,489 | 18,489 | - | 3,851,850 | 0.48% |
| 2015 | 17,218 | 17,218 | - | 3,586,978 | 0.48% |
| 2014 | 16,293 | 16,293 | - | 3,394,329 | 0.48% |
| 2013 | 15,450 | 15,450 | - | 3,218,662 | 0.48% |
| Component Unit School Board (professional): | | | | | |
| 2022 | \$ 44,999 | \$ 44,999 | \$ - | \$ 8,333,087 | 0.54% |
| 2021 | 43,405 | 43,405 | - | 8,037,921 | 0.54% |
| 2020 | 40,833 | 40,833 | - | 7,852,517 | 0.52% |
| 2019 | 40,904 | 40,904 | - | 7,866,058 | 0.52% |
| 2018 | 40,456 | 40,456 | - | 7,779,905 | 0.52% |
| 2017 | 42,237 | 42,237 | - | 8,122,504 | 0.52% |
| 2016 | 39,200 | 39,200 | - | 8,166,626 | 0.48% |
| 2015 | 38,282 | 38,282 | - | 7,975,366 | 0.48% |
| 2014 | 38,235 | 38,235 | - | 7,965,582 | 0.48% |
| 2013 | 38,293 | 38,293 | - | 7,977,671 | 0.48% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2022 | \$ 3,233 | \$ 3,233 | \$ - | \$ 598,671 | 0.54% |
| 2021 | 3,203 | 3,203 | - | 593,190 | 0.54% |
| 2020 | 3,020 | 3,020 | - | 580,679 | 0.52% |
| 2019 | 3,105 | 3,105 | - | 597,045 | 0.52% |
| 2018 | 3,348 | 3,348 | - | 643,780 | 0.52% |
| 2017 | 3,317 | 3,317 | - | 637,921 | 0.52% |
| 2016 | 3,096 | 3,096 | - | 645,003 | 0.48% |
| 2015 | 2,977 | 2,977 | - | 630,109 | 0.47% |
| 2014 | 4,064 | 4,064 | - | 846,582 | 0.48% |
| 2013 | 4,271 | 4,271 | - | 889,858 | 0.48% |

County of Essex, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

County of Essex, Virginia
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
Primary Government
For the Measurement Dates of June 30, 2017 through June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total HIC OPEB Liability | | | | | |
| Service cost | \$ 1,954 | \$ 1,959 | \$ 3,943 | \$ 4,588 | \$ 4,427 |
| Interest | 4,201 | 4,290 | 3,329 | 3,184 | 2,941 |
| Differences between expected and actual experience | 523 | (3,197) | 11,331 | (2,474) | - |
| Changes of assumptions | 2,116 | - | 1,370 | - | (1,414) |
| Benefit payments | (4,447) | (4,278) | (3,666) | (2,786) | (2,195) |
| Net change in total HIC OPEB liability | \$ 4,347 | \$ (1,226) | \$ 16,307 | \$ 2,512 | \$ 3,759 |
| Total HIC OPEB Liability - beginning | 64,471 | 65,697 | 49,390 | 46,878 | 43,119 |
| Total HIC OPEB Liability - ending (a) | \$ 68,818 | \$ 64,471 | \$ 65,697 | \$ 49,390 | \$ 46,878 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 9,070 | \$ 8,093 | \$ 7,610 | \$ 7,299 | \$ 6,959 |
| Net investment income | 6,612 | 401 | 1,066 | 756 | 704 |
| Benefit payments | (4,447) | (4,278) | (3,666) | (2,786) | (2,195) |
| Administrator charges | (93) | (44) | (26) | (22) | (17) |
| Other | - | - | (1) | (18) | 18 |
| Net change in plan fiduciary net position | \$ 11,142 | \$ 4,172 | \$ 4,983 | \$ 5,229 | \$ 5,469 |
| Plan fiduciary net position - beginning | 23,331 | 19,159 | 14,176 | 8,947 | 3,478 |
| Plan fiduciary net position - ending (b) | \$ 34,473 | \$ 23,331 | \$ 19,159 | \$ 14,176 | \$ 8,947 |
| County's net HIC OPEB liability - ending (a) - (b) | \$ 34,345 | \$ 41,140 | \$ 46,538 | \$ 35,214 | \$ 37,931 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 50.09% | 36.19% | 29.16% | 28.70% | 19.09% |
| Covered payroll | \$ 1,889,483 | \$ 1,685,973 | \$ 1,585,300 | \$ 1,553,040 | \$ 1,480,662 |
| County's net HIC OPEB liability as a percentage of covered payroll | 1.82% | 2.44% | 2.94% | 2.27% | 2.56% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Essex, Virginia
 Schedule of Changes in the Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 School Board Nonprofessional
 For the Measurement Dates of June 30, 2020 and June 30, 2021

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Total HIC OPEB Liability | | |
| Service cost | \$ 1,139 | \$ - |
| Interest | 8,303 | - |
| Changes of benefit terms | - | 123,010 |
| Differences between expected and actual experience | (1) | - |
| Changes of assumptions | 4,092 | - |
| Net change in total HIC OPEB liability | <u>\$ 13,533</u> | <u>\$ 123,010</u> |
| Total HIC OPEB Liability - beginning | 123,010 | - |
| Total HIC OPEB Liability - ending (a) | <u><u>\$ 136,543</u></u> | <u><u>\$ 123,010</u></u> |
| | | |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 9,938 | \$ - |
| Net investment income | 1,113 | - |
| Administrator charges | (43) | - |
| Net change in plan fiduciary net position | <u>\$ 11,008</u> | <u>\$ -</u> |
| Plan fiduciary net position - beginning | - | - |
| Plan fiduciary net position - ending (b) | <u><u>\$ 11,008</u></u> | <u><u>\$ -</u></u> |
| | | |
| School Board's net HIC OPEB liability - ending (a) - (b) | \$ 125,535 | \$ 123,010 |
| | | |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 8.06% | 0.00% |
| | | |
| Covered payroll | \$ 591,544 | \$ - |
| | | |
| School Board's net HIC OPEB liability as a percentage of covered payroll | 21.22% | 0.00% |

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

County of Essex, Virginia
 Schedule of Employer Contributions
 Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2015 through June 30, 2022

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|--|---|---|---|---|
| Primary Government: | | | | | |
| 2022 | \$ 9,788 | \$ 9,788 | - | \$ 2,039,264 | 0.48% |
| 2021 | 9,070 | 9,070 | - | 1,889,483 | 0.48% |
| 2020 | 8,093 | 8,093 | - | 1,685,973 | 0.48% |
| 2019 | 7,609 | 7,609 | - | 1,585,300 | 0.48% |
| 2018 | 7,299 | 7,299 | - | 1,553,040 | 0.47% |
| 2017 | 6,959 | 6,959 | - | 1,480,662 | 0.47% |
| 2016 | 3,680 | 3,680 | - | 1,533,415 | 0.24% |
| 2015 | 3,319 | 3,319 | - | 1,383,092 | 0.24% |
| 2014 | Did not participate | | | | |
| 2013 | Did not participate | | | | |
| Component Unit School Board (Nonprofessional): | | | | | |
| 2022 | \$ 9,857 | \$ 9,857 | - | \$ 586,730 | 1.68% |
| 2021 | 9,938 | 9,938 | - | 591,544 | 1.68% |

Schedule is intended to show information for 10 years. Additional years will be added as they become available.

County of Essex, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

County of Essex, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|-------------|---|---|---|--|---|
| 2021 | 0.09056% | \$ 1,162,400 | \$ 8,009,452 | 14.51% | 13.15% |
| 2020 | 0.08922% | 1,163,889 | 7,821,613 | 14.88% | 9.95% |
| 2019 | 0.09380% | 1,227,671 | 7,866,058 | 15.61% | 8.97% |
| 2018 | 0.09608% | 1,220,000 | 7,770,745 | 15.70% | 8.08% |
| 2017 | 0.10284% | 1,304,000 | 8,115,970 | 16.07% | 7.04% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Essex, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2022 | \$ 100,635 | \$ 100,635 | \$ - | 8,316,918 | 1.21% |
| 2021 | 96,914 | 96,914 | - | 8,009,452 | 1.21% |
| 2020 | 93,859 | 93,859 | - | 7,821,613 | 1.20% |
| 2019 | 94,393 | 94,393 | - | 7,866,058 | 1.20% |
| 2018 | 95,580 | 95,580 | - | 7,770,745 | 1.23% |
| 2017 | 90,087 | 90,087 | - | 8,115,970 | 1.11% |
| 2016 | 86,566 | 86,566 | - | 8,166,626 | 1.06% |
| 2015 | 84,264 | 84,264 | - | 7,949,408 | 1.06% |
| 2014 | 88,418 | 88,418 | - | 7,965,582 | 1.11% |
| 2013 | 87,394 | 87,394 | - | 7,873,363 | 1.11% |

County of Essex, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2022

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2022

| | Capital Projects Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 144 | \$ 144 |
| Miscellaneous | 5,000 | 5,000 | - | (5,000) |
| Intergovernmental: | | | | |
| Federal | - | 173,479 | 174,479 | 1,000 |
| Total revenues | <u>\$ 5,000</u> | <u>\$ 178,479</u> | <u>\$ 174,623</u> | <u>\$ (3,856)</u> |
| EXPENDITURES | | | | |
| Capital projects | \$ 790,000 | \$ 963,479 | \$ 572,710 | \$ 390,769 |
| Total expenditures | <u>\$ 790,000</u> | <u>\$ 963,479</u> | <u>\$ 572,710</u> | <u>\$ 390,769</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (785,000)</u> | <u>\$ (785,000)</u> | <u>\$ (398,087)</u> | <u>\$ 386,913</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 398,087 | \$ 398,087 |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 398,087</u> | <u>\$ 398,087</u> |
| Net change in fund balances | \$ (785,000) | \$ (785,000) | - | \$ 785,000 |
| Fund balances - beginning | 785,000 | 785,000 | 18,805 | (766,195) |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,805</u> | <u>\$ 18,805</u> |

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Debt Service Fund
 For the Year Ended June 30, 2022

| | Debt Service Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Budgeted Amounts | | Actual | |
| | <u>Original</u> | <u>Final</u> | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | \$ 172,806 | \$ 172,806 | \$ 70,938 | \$ 101,868 |
| Community development | 50,033 | 50,033 | 41,387 | 8,646 |
| Debt service: | | | | |
| Principal retirement | 3,483,808 | 2,608,534 | 2,608,535 | (1) |
| Interest and other fiscal charges | 43,645 | 918,919 | 916,792 | 2,127 |
| Total expenditures | <u>\$ 3,750,292</u> | <u>\$ 3,750,292</u> | <u>\$ 3,637,652</u> | <u>\$ 112,640</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (3,750,292)</u> | <u>\$ (3,750,292)</u> | <u>\$ (3,637,652)</u> | <u>\$ (112,640)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 3,475,684 | \$ 3,475,684 | \$ 3,637,652 | \$ (161,968) |
| Total other financing sources (uses) | <u>\$ 3,475,684</u> | <u>\$ 3,475,684</u> | <u>\$ 3,637,652</u> | <u>\$ (161,968)</u> |
| Net change in fund balances | \$ (274,608) | \$ (274,608) | \$ - | \$ (274,608) |
| Fund balances - beginning | 274,608 | 274,608 | 274,608 | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 274,608</u> | <u>\$ 274,608</u> |

County of Essex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

| | Custodial Funds | | | Total |
|---------------------------|--------------------|---|---|------------------|
| | Special Welfare | County Flex Spending and Health Reimbursement | School Flex Spending and Health Reimbursement | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 11,141 | \$ 32,936 | \$ 19,091 | \$ 63,168 |
| Total assets | <u>\$ 11,141</u> | <u>\$ 32,936</u> | <u>\$ 19,091</u> | <u>\$ 63,168</u> |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Individuals | \$ 11,141 | - | - | \$ 11,141 |
| Employees | - | 32,936 | 19,091 | 52,027 |
| Total net position | <u>\$ 11,141</u> | <u>\$ 32,936</u> | <u>\$ 19,091</u> | <u>\$ 63,168</u> |

County of Essex, Virginia
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

| | Custodial Funds | | | Total |
|---|--------------------|---|---|------------------|
| | Special Welfare | County Flex Spending and Health Reimbursement | School Flex Spending and Health Reimbursement | |
| ADDITIONS | | | | |
| Contributions: | | | | |
| Participant fees | \$ - | \$ 41,812 | \$ 29,476 | \$ 71,288 |
| Miscellaneous | 5,120 | - | - | 5,120 |
| Total additions | <u>\$ 5,120</u> | <u>\$ 41,812</u> | <u>\$ 29,476</u> | <u>\$ 76,408</u> |
| DEDUCTIONS | | | | |
| Recipient payments | \$ 4,730 | \$ 32,100 | \$ 26,835 | \$ 63,665 |
| Total deductions | <u>\$ 4,730</u> | <u>\$ 32,100</u> | <u>\$ 26,835</u> | <u>\$ 63,665</u> |
| Net increase (decrease) in fiduciary net position | \$ 390 | \$ 9,712 | \$ 2,641 | \$ 12,743 |
| Net position, beginning | 10,751 | 23,224 | 16,450 | 50,425 |
| Net position, ending | <u>\$ 11,141</u> | <u>\$ 32,936</u> | <u>\$ 19,091</u> | <u>\$ 63,168</u> |

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2022

| | School Operating Fund | School Cafeteria Fund | School Activity Fund | Total Governmental Funds |
|---|-----------------------------|-----------------------------|----------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 109,020 | \$ 127,703 | \$ 236,723 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts receivable | 2,158 | 3,438 | - | 5,596 |
| Due from other governmental units | 1,722,281 | 99,298 | - | 1,821,579 |
| Inventories | - | 26,073 | - | 26,073 |
| Prepaid items | 84,517 | - | - | 84,517 |
| Total assets | <u>\$ 1,808,956</u> | <u>\$ 237,829</u> | <u>\$ 127,703</u> | <u>\$ 2,174,488</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 67,809 | \$ - | \$ - | \$ 67,809 |
| Accrued liabilities | 624,289 | 20,102 | - | 644,391 |
| Due to County of Essex, VA | 1,116,858 | - | - | 1,116,858 |
| Total liabilities | <u>\$ 1,808,956</u> | <u>\$ 20,102</u> | <u>\$ -</u> | <u>\$ 1,829,058</u> |
| FUND BALANCES | | | | |
| Nonspendable | \$ 84,517 | \$ 26,073 | \$ - | \$ 110,590 |
| Committed | - | 191,654 | 127,703 | 319,357 |
| Unassigned | (84,517) | - | - | (84,517) |
| Total fund balances | <u>\$ -</u> | <u>\$ 217,727</u> | <u>\$ 127,703</u> | <u>\$ 345,430</u> |
| Total liabilities and fund balances | <u>\$ 1,808,956</u> | <u>\$ 237,829</u> | <u>\$ 127,703</u> | <u>\$ 2,174,488</u> |

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

| | |
|---|---------------------|
| Total fund balances per above | \$ 345,430 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Capital assets, cost | \$ 30,739,399 |
| Accumulated depreciation | <u>(12,444,575)</u> |
| | 18,294,824 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| Net pension asset | 178,631 |
| Deferred outflows of resources are not available to pay for current-period expenditures, and, therefore, are not reported in the funds. | |
| Pension related items | \$ 2,894,528 |
| OPEB related items | <u>300,619</u> |
| | 3,195,147 |
| Long-term liabilities, including leases, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment: | |
| Net pension liabilities | \$ (7,029,485) |
| Net OPEB liabilities | (1,774,601) |
| Lease liabilities | (25,182) |
| Compensated absences | <u>(202,324)</u> |
| | (9,031,592) |
| Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds. | |
| Pension related items | \$ (6,406,525) |
| OPEB related items | <u>(404,767)</u> |
| | (6,811,292) |
| Net position of governmental activities | <u>\$ 6,171,148</u> |

County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2022

| | School Operating Fund | School Cafeteria Fund | School Activity Fund | Total Governmental Funds |
|--|-----------------------------|-----------------------------|----------------------------|--------------------------------|
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 7,908 | \$ 26 | \$ - | \$ 7,934 |
| Charges for services | - | 65,313 | - | 65,313 |
| Miscellaneous | 173,758 | - | 163,414 | 337,172 |
| Intergovernmental: | | | | |
| Local government | 6,665,207 | - | - | 6,665,207 |
| Commonwealth | 10,597,431 | 17,116 | - | 10,614,547 |
| Federal | 3,695,206 | 863,413 | - | 4,558,619 |
| Total revenues | <u>\$ 21,139,510</u> | <u>\$ 945,868</u> | <u>\$ 163,414</u> | <u>\$ 22,248,792</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 21,082,494 | \$ 805,273 | \$ 182,555 | \$ 22,070,322 |
| Debt service: | | | | |
| Principal retirement | 57,510 | - | - | 57,510 |
| Interest and other fiscal charges | 310 | - | - | 310 |
| Total expenditures | <u>\$ 21,140,314</u> | <u>\$ 805,273</u> | <u>\$ 182,555</u> | <u>\$ 22,128,142</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (804)</u> | <u>\$ 140,595</u> | <u>\$ (19,141)</u> | <u>\$ 120,650</u> |
| Net change in fund balances | \$ (804) | \$ 140,595 | \$ (19,141) | \$ 120,650 |
| Fund balances - beginning | 804 | 77,132 | 146,844 | 224,780 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 217,727</u> | <u>\$ 127,703</u> | <u>\$ 345,430</u> |
| Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because: | | | | |
| Net change in fund balances - total governmental funds - per above | | | | \$ 120,650 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. | | | | |
| Capital asset additions | | \$ 1,473,651 | | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | | 1,600,048 | | |
| Depreciation expense | | <u>(944,170)</u> | | 2,129,529 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment: | | | | |
| Principal retired on lease liabilities | | | | 57,510 |
| Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in the governmental funds. | | | | |
| | | | | 55,547 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment: | | | | |
| Pension expense | | \$ 1,685,825 | | |
| OPEB expense | | 82,117 | | |
| Change in compensated absences | | <u>(84,317)</u> | | 1,683,625 |
| Change in net position of governmental activities | | | | <u>\$ 4,046,861</u> |

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Operating Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2022

| | School Operating Fund | | | |
|---|-----------------------|----------------------|----------------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive <u>(Negative)</u> |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 1,000 | \$ 1,000 | \$ 7,908 | \$ 6,908 |
| Miscellaneous | 129,000 | 79,000 | 173,758 | 94,758 |
| Intergovernmental: | | | | |
| Local government | 7,137,253 | 7,137,253 | 6,665,207 | (472,046) |
| Commonwealth | 8,999,238 | 9,032,346 | 10,597,431 | 1,565,085 |
| Federal | 1,401,755 | 1,899,566 | 3,695,206 | 1,795,640 |
| Total revenues | <u>\$ 17,668,246</u> | <u>\$ 18,149,165</u> | <u>\$ 21,139,510</u> | <u>\$ 2,990,345</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 17,668,246 | \$ 18,091,345 | \$ 21,082,494 | \$ (2,991,149) |
| Debt service: | | | | |
| Principal retirement | - | 57,510 | 57,510 | - |
| Interest and other fiscal charges | - | 310 | 310 | - |
| Total expenditures | <u>\$ 17,668,246</u> | <u>\$ 18,149,165</u> | <u>\$ 21,140,314</u> | <u>\$ (2,991,149)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (804)</u> | <u>\$ (804)</u> |
| Net change in fund balances | \$ - | \$ - | \$ (804) | \$ (804) |
| Fund balances - beginning | - | - | 804 | 804 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2022

| | School Cafeteria Fund | | | |
|---|-----------------------|-------------------|-------------------|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 60 | \$ 60 | \$ 26 | \$ (34) |
| Charges for services | 141,737 | 141,737 | 65,313 | (76,424) |
| Intergovernmental: | | | | |
| Commonwealth | 13,870 | 13,870 | 17,116 | 3,246 |
| Federal | 703,070 | 783,155 | 863,413 | 80,258 |
| Total revenues | <u>\$ 858,737</u> | <u>\$ 938,822</u> | <u>\$ 945,868</u> | <u>\$ 7,046</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 858,737 | \$ 938,822 | \$ 805,273 | \$ 133,549 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ 140,595 | \$ 140,595 |
| Net change in fund balances | \$ - | \$ - | \$ 140,595 | \$ 140,595 |
| Fund balances - beginning | - | - | 77,132 | 77,132 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 217,727</u> | <u>\$ 217,727</u> |

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2022

| | |
|---------------------------|-----------|
| ASSETS | |
| Cash and cash equivalents | \$ 4,725 |
| Investments | 33,543 |
| Accounts receivable | 1,994 |
| Total assets | \$ 40,262 |
| NET POSITION | |
| Unrestricted | \$ 40,262 |

County of Essex, Virginia
 Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2022

| | |
|--|------------|
| Operating revenues: | |
| Bond issue fees | \$ 1,994 |
| Operating income (loss) | \$ 1,994 |
| Nonoperating revenues (expenses): | |
| Interest income | \$ 82 |
| Contributions to industries | (6,150) |
| Total nonoperating revenues (expenses) | \$ (6,068) |
| Change in net position | \$ (4,074) |
| Net position, beginning of year | 44,336 |
| Net position, end of year | \$ 40,262 |

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2022

| | |
|---|-------------------------------|
| Cash flows from operating activities: | |
| Net cash provided by (used for) operating activities | \$ <u> -</u> |
| Cash flows from noncapital financing activities: | |
| Contributions to industries | \$ <u> (6,150)</u> |
| Net cash provided by (used for) noncapital financing activities | \$ <u> (6,150)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ <u> (6,150)</u> |
| Cash and cash equivalents, beginning of year | <u> 10,875</u> |
| Cash and cash equivalents, end of year | <u><u> 4,725</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ <u> 1,994</u> |
| (Increase) in accounts receivable | <u> (1,994)</u> |
| Total adjustments | \$ <u> -</u> |
| Net cash provided by (used for) operating activities | <u><u> -</u></u> |

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SUPPORTING SCHEDULES

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 10,975,399 | \$ 10,975,399 | \$ 11,013,430 | \$ 38,031 |
| Real and personal public service corporation taxes | 370,000 | 370,000 | 412,387 | 42,387 |
| Personal property taxes | 3,382,900 | 3,382,900 | 4,190,384 | 807,484 |
| Mobile home taxes | 46,756 | 46,756 | 38,319 | (8,437) |
| Machinery and tools taxes | 95,010 | 95,010 | 99,941 | 4,931 |
| Merchant's capital taxes | 95,500 | 95,500 | 67,725 | (27,775) |
| Penalties | 174,300 | 174,300 | 161,115 | (13,185) |
| Interest | 154,000 | 154,000 | 129,933 | (24,067) |
| Total general property taxes | <u>\$ 15,293,865</u> | <u>\$ 15,293,865</u> | <u>\$ 16,113,234</u> | <u>\$ 819,369</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 2,207,550 | \$ 2,207,550 | \$ 2,308,860 | \$ 101,310 |
| Games of skill tax | - | - | 1,440 | 1,440 |
| Consumers' utility taxes | 233,000 | 233,000 | 239,213 | 6,213 |
| Business license taxes | 7,000 | 7,000 | 6,240 | (760) |
| Motor vehicle licenses | 405,000 | 405,000 | 406,378 | 1,378 |
| Tobacco tax | - | - | 25,204 | 25,204 |
| Taxes on recordation and wills | 37,700 | 37,700 | 47,513 | 9,813 |
| Total other local taxes | <u>\$ 2,890,250</u> | <u>\$ 2,890,250</u> | <u>\$ 3,034,848</u> | <u>\$ 144,598</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 9,600 | \$ 9,600 | \$ 7,132 | \$ (2,468) |
| Transfer fees | 500 | 500 | 741 | 241 |
| Permits and other licenses | 107,625 | 107,625 | 155,990 | 48,365 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 117,725</u> | <u>\$ 117,725</u> | <u>\$ 163,863</u> | <u>\$ 46,138</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 30,000 | \$ 30,000 | \$ 18,764 | \$ (11,236) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 30,000 | \$ 30,000 | \$ 9,272 | \$ (20,728) |
| Revenue from use of property | 37,500 | 37,500 | 27,563 | (9,937) |
| Total revenue from use of money and property | <u>\$ 67,500</u> | <u>\$ 67,500</u> | <u>\$ 36,835</u> | <u>\$ (30,665)</u> |
| Charges for services: | | | | |
| Charges for courthouse maintenance | \$ 6,000 | \$ 6,000 | \$ 5,487 | \$ (513) |
| Criminal/traffic cases fees-security | 30,000 | 30,000 | 10,306 | (19,694) |
| Charges for correction and detention | 2,500 | 2,500 | 51,513 | 49,013 |
| Charges for Commonwealth's Attorney | 700 | 700 | 493 | (207) |
| Charges for EMS | 285,500 | 285,500 | 390,190 | 104,690 |
| Charges for selective enforcement | 45,000 | 45,000 | 25,315 | (19,685) |
| Charges for parks and recreation | 28,500 | 28,500 | 27,342 | (1,158) |
| Total charges for services | <u>\$ 398,200</u> | <u>\$ 398,200</u> | <u>\$ 510,646</u> | <u>\$ 112,446</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 83,900 | \$ 88,846 | \$ 110,016 | \$ 21,170 |
| Recovered costs: | | | | |
| Town's share of refuse disposal | \$ 30,625 | \$ 30,625 | \$ 15,000 | \$ (15,625) |
| Town's share of animal control | 3,060 | 3,060 | - | (3,060) |
| Radio system | 21,000 | 21,000 | 30,971 | 9,971 |
| Health department settlement | - | - | 15,091 | 15,091 |
| VPSA credit | 15,500 | 15,500 | 15,700 | 200 |
| Town's erosion and sediment control | 2,000 | 2,000 | 2,500 | 500 |
| Total recovered costs | <u>\$ 72,185</u> | <u>\$ 72,185</u> | <u>\$ 79,262</u> | <u>\$ 7,077</u> |
| Total revenue from local sources | <u>\$ 18,953,625</u> | <u>\$ 18,958,571</u> | <u>\$ 20,067,468</u> | <u>\$ 1,108,897</u> |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Communications taxes | \$ 300,000 | \$ 300,000 | \$ 251,628 | \$ (48,372) |
| Mobile home titling tax | 23,000 | 23,000 | 30,688 | 7,688 |
| Rolling stock tax | 1,000 | 1,000 | 1,031 | 31 |
| Auto rental tax | 100 | 100 | 52,788 | 52,688 |
| State recordation tax | 171,857 | 171,857 | 161,672 | (10,185) |
| Personal property tax relief funds | 1,054,171 | 1,054,171 | 1,054,171 | - |
| Total noncategorical aid | <u>\$ 1,550,128</u> | <u>\$ 1,550,128</u> | <u>\$ 1,551,978</u> | <u>\$ 1,850</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 216,636 | \$ 216,636 | \$ 229,882 | \$ 13,246 |
| Sheriff | 726,781 | 726,781 | 724,017 | (2,764) |
| Commissioner of revenue | 116,433 | 116,433 | 103,523 | (12,910) |
| Treasurer | 90,369 | 90,369 | 87,014 | (3,355) |
| Registrar/electoral board | 73,427 | 73,427 | 63,637 | (9,790) |
| Clerk of the Circuit Court | 196,397 | 196,397 | 202,222 | 5,825 |
| Total shared expenses | <u>\$ 1,420,043</u> | <u>\$ 1,420,043</u> | <u>\$ 1,410,295</u> | <u>\$ (9,748)</u> |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 687,744 | \$ 687,744 | \$ 431,228 | \$ (256,516) |
| Emergency services | 700 | 700 | 1,539 | 839 |
| Children's services act | 777,800 | 777,800 | 857,828 | 80,028 |
| Litter control | 6,000 | 6,000 | 2,423 | (3,577) |
| Wireless funds | 47,200 | 47,200 | 59,954 | 12,754 |
| Victim-witness grant | 6,424 | 6,424 | 10,850 | 4,426 |
| Rescue squad assistance | 8,000 | 8,000 | 33,993 | 25,993 |
| Domestic violence grant | 33,750 | 33,750 | 22,500 | (11,250) |
| School resource officer | 22,460 | 22,460 | 22,460 | - |
| Fire programs fund | 33,445 | 35,521 | 35,521 | - |
| Other state funds | 49,782 | 49,782 | 2,200 | (47,582) |
| Clerk records grant | 10,068 | 28,435 | 33,065 | 4,630 |
| Total other categorical aid | <u>\$ 1,683,373</u> | <u>\$ 1,703,816</u> | <u>\$ 1,513,561</u> | <u>\$ (190,255)</u> |
| Total categorical aid | <u>\$ 3,103,416</u> | <u>\$ 3,123,859</u> | <u>\$ 2,923,856</u> | <u>\$ (200,003)</u> |
| Total revenue from the Commonwealth | <u>\$ 4,653,544</u> | <u>\$ 4,673,987</u> | <u>\$ 4,475,834</u> | <u>\$ (198,153)</u> |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| COVID 19 - CARES Act | \$ - | \$ 1,063,746 | \$ 109,454 | \$ (954,292) |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 1,072,921 | \$ 1,072,921 | \$ 945,332 | \$ (127,589) |
| Transportation safety | - | - | 200 | 200 |
| Crime victim assistance | 25,000 | 25,000 | 40,375 | 15,375 |
| Emergency preparedness | - | - | 13,316 | 13,316 |
| Edward Byrne justice assistance grant | 2,500 | 2,500 | - | (2,500) |
| Refugee | 3,300 | 3,300 | 3,054 | (246) |
| QSCB Interest subsidy | 417,600 | 417,600 | 400,775 | (16,825) |
| Total categorical aid | <u>\$ 1,521,321</u> | <u>\$ 1,521,321</u> | <u>\$ 1,403,052</u> | <u>\$ (118,269)</u> |
| Total revenue from the federal government | <u>\$ 1,521,321</u> | <u>\$ 2,585,067</u> | <u>\$ 1,512,506</u> | <u>\$ (1,072,561)</u> |
| Total General Fund | <u>\$ 25,128,490</u> | <u>\$ 26,217,625</u> | <u>\$ 26,055,808</u> | <u>\$ (161,817)</u> |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 3 | \$ 3 |
| Revenue from the use of property | - | - | 4,125 | 4,125 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,128</u> | <u>\$ 4,128</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ - | \$ 47,728 | \$ 56,762 | \$ 9,034 |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ 47,728</u> | <u>\$ 60,890</u> | <u>\$ 13,162</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Forfeited assets | \$ - | \$ - | \$ 2,790 | \$ 2,790 |
| Total categorical aid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,790</u> | <u>\$ 2,790</u> |
| Total revenue from the Commonwealth | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,790</u> | <u>\$ 2,790</u> |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| FEMA | \$ - | \$ 5,550 | \$ 37,613 | \$ 32,063 |
| Total noncategorical aid | <u>\$ -</u> | <u>\$ 5,550</u> | <u>\$ 37,613</u> | <u>\$ 32,063</u> |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ 5,550</u> | <u>\$ 37,613</u> | <u>\$ 32,063</u> |
| Total County Special Revenue Fund | <u>\$ -</u> | <u>\$ 53,278</u> | <u>\$ 101,293</u> | <u>\$ 48,015</u> |
| Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 144 | \$ 144 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 144</u> | <u>\$ 144</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Total miscellaneous revenue | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> | <u>\$ (5,000)</u> |
| Total revenue from local sources | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ 144</u> | <u>\$ (4,856)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Community Development Block Grant | \$ - | \$ 173,479 | \$ 174,479 | \$ 1,000 |
| Total categorical aid | <u>\$ -</u> | <u>\$ 173,479</u> | <u>\$ 174,479</u> | <u>\$ 1,000</u> |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ 173,479</u> | <u>\$ 174,479</u> | <u>\$ 1,000</u> |
| Total Capital Projects Fund | <u>\$ 5,000</u> | <u>\$ 178,479</u> | <u>\$ 174,623</u> | <u>\$ (3,856)</u> |
| Total Primary Government | <u>\$ 25,133,490</u> | <u>\$ 26,449,382</u> | <u>\$ 26,331,724</u> | <u>\$ (117,658)</u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | \$ 1,000 | \$ 1,000 | \$ 7,908 | \$ 6,908 |
| Total revenue from use of money and property | <u>\$ 1,000</u> | <u>\$ 1,000</u> | <u>\$ 7,908</u> | <u>\$ 6,908</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 129,000 | \$ 79,000 | \$ 173,758 | \$ 94,758 |
| Total revenue from local sources | <u>\$ 130,000</u> | <u>\$ 80,000</u> | <u>\$ 181,666</u> | <u>\$ 101,666</u> |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Essex, Virginia | \$ 7,137,253 | \$ 7,137,253 | \$ 6,665,207 | \$ (472,046) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,686,728 | \$ 1,719,836 | \$ 2,095,147 | \$ 375,311 |
| Basic school aid | 3,634,682 | 3,634,682 | 4,270,598 | 635,916 |
| Remedial summer education | - | - | 60,222 | 60,222 |
| Infrastructure | 251,926 | 251,926 | - | (251,926) |
| Gifted and talented | 34,513 | 34,513 | 40,602 | 6,089 |
| Remedial education | 225,963 | 225,963 | 265,826 | 39,863 |
| Special education | 545,046 | 545,046 | 641,201 | 96,155 |
| Textbook payment | 69,983 | 69,983 | 82,330 | 12,347 |
| GED funding | 8,386 | 8,386 | 8,233 | (153) |
| Vocational education | 110,182 | 110,182 | 132,622 | 22,440 |
| School fringes | 765,800 | 765,800 | 900,899 | 135,099 |
| State lottery payments - no loss | 274,366 | 274,366 | 311,334 | 36,968 |
| Early reading intervention | 28,604 | 28,604 | 95,345 | 66,741 |
| Homebound | 2,305 | 2,305 | - | (2,305) |
| At risk payments | 550,160 | 550,160 | 647,468 | 97,308 |
| Primary class size reduction | 216,421 | 216,421 | 346,330 | 129,909 |
| Technology | 128,000 | 128,000 | 169,020 | 41,020 |
| SOL Algebra readiness | 23,116 | 23,116 | 24,989 | 1,873 |
| Career switcher mentor grant | 2,701 | 2,701 | 2,124 | (577) |
| Industry certification | - | - | 2,151 | 2,151 |
| Project graduation | 4,283 | 4,283 | 3,626 | (657) |
| English as a second language | 29,253 | 29,253 | 26,174 | (3,079) |
| Preschool initiative | 143,715 | 143,715 | 143,715 | - |
| Miscellaneous state | 12,500 | 12,500 | 5,683 | (6,817) |
| Praxis grant | - | - | 1,358 | 1,358 |
| Compensation supplement | 250,605 | 250,605 | 294,434 | 43,829 |
| Positive behavioral interventions and supports | - | - | 26,000 | 26,000 |
| Total categorical aid | <u>\$ 8,999,238</u> | <u>\$ 9,032,346</u> | <u>\$ 10,597,431</u> | <u>\$ 1,565,085</u> |
| Total revenue from the Commonwealth | <u>\$ 8,999,238</u> | <u>\$ 9,032,346</u> | <u>\$ 10,597,431</u> | <u>\$ 1,565,085</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 449,013 | \$ 449,013 | \$ 506,022 | \$ 57,009 |
| Title IV-A | 37,752 | 37,752 | 41,014 | 3,262 |
| Title VI-B | 405,004 | 405,004 | 557,277 | 152,273 |
| Preschool grant | 19,472 | 19,472 | 12,705 | (6,767) |
| Vocational education | 35,229 | 35,229 | 36,281 | 1,052 |
| Title III | 4,117 | 4,117 | 10,697 | 6,580 |
| 1003 G School Improvement | - | - | 51,054 | 51,054 |
| Rural Education | 27,611 | 27,611 | 2,452 | (25,159) |
| ESSER | 360,000 | 857,811 | 2,403,917 | 1,546,106 |
| Title II-A | 63,557 | 63,557 | 73,787 | 10,230 |
| Total categorical aid | <u>\$ 1,401,755</u> | <u>\$ 1,899,566</u> | <u>\$ 3,695,206</u> | <u>\$ 1,795,640</u> |
| Total School Operating Fund | <u>\$ 17,668,246</u> | <u>\$ 18,149,165</u> | <u>\$ 21,139,510</u> | <u>\$ 2,990,345</u> |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Funds: | | | | |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 60 | \$ 60 | \$ 26 | \$ (34) |
| Charges for services: | | | | |
| Cafeteria sales | \$ 141,737 | \$ 141,737 | \$ 65,313 | \$ (76,424) |
| Total revenue from local sources | \$ 141,797 | \$ 141,797 | \$ 65,339 | \$ (76,458) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 13,870 | \$ 13,870 | \$ 17,116 | \$ 3,246 |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 703,070 | \$ 703,070 | \$ 791,265 | \$ 88,195 |
| Commodities | - | 80,085 | 72,148 | (7,937) |
| Total categorical aid | \$ 703,070 | \$ 783,155 | \$ 863,413 | \$ 80,258 |
| Total revenue from the federal government | \$ 703,070 | \$ 783,155 | \$ 863,413 | \$ 80,258 |
| Total School Cafeteria Fund | \$ 858,737 | \$ 938,822 | \$ 945,868 | \$ 7,046 |
| School Activity Fund: | | | | |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 163,414 | \$ 163,414 |
| Total School Activity Fund | \$ - | \$ - | \$ 163,414 | \$ 163,414 |
| Total Discretely Presented Component Unit - School Board | \$ 18,526,983 | \$ 19,087,987 | \$ 22,248,792 | \$ 3,160,805 |

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 378,471 | \$ 413,823 | \$ 381,311 | \$ 32,512 |
| General and financial administration: | | | | |
| County administrator | \$ 638,375 | \$ 634,812 | \$ 565,739 | \$ 69,073 |
| Legal services | 100,000 | 100,000 | 131,349 | (31,349) |
| Commissioner of revenue | 283,305 | 283,306 | 296,880 | (13,574) |
| Independent Auditor | 50,265 | 50,265 | 50,565 | (300) |
| Treasurer | 246,125 | 246,125 | 250,460 | (4,335) |
| Assessor | 16,500 | 16,500 | 15,848 | 652 |
| Total general and financial administration | <u>\$ 1,334,570</u> | <u>\$ 1,331,008</u> | <u>\$ 1,310,841</u> | <u>\$ 20,167</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 72,468 | \$ 60,318 | \$ 42,403 | \$ 17,915 |
| Registrar | 159,467 | 159,467 | 157,878 | 1,589 |
| Total board of elections | <u>\$ 231,935</u> | <u>\$ 219,785</u> | <u>\$ 200,281</u> | <u>\$ 19,504</u> |
| Total general government administration | <u>\$ 1,944,976</u> | <u>\$ 1,964,616</u> | <u>\$ 1,892,433</u> | <u>\$ 72,183</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 14,423 | \$ 14,423 | \$ 15,476 | \$ (1,053) |
| General district court | 1,895 | 1,895 | 288 | 1,607 |
| Sheriff | 143,832 | 143,832 | 168,349 | (24,517) |
| Juvenile and domestic relations court | 32,829 | 32,829 | 31,534 | 1,295 |
| Office of the Youth | 5,693 | 5,693 | 5,693 | - |
| Clerk of the circuit court | 294,977 | 308,248 | 292,137 | 16,111 |
| Total courts | <u>\$ 493,649</u> | <u>\$ 506,920</u> | <u>\$ 513,477</u> | <u>\$ (6,557)</u> |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 351,263 | \$ 360,712 | \$ 365,521 | \$ (4,809) |
| Total judicial administration | <u>\$ 844,912</u> | <u>\$ 867,632</u> | <u>\$ 878,998</u> | <u>\$ (11,366)</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 2,651,768 | \$ 2,387,428 | \$ 1,290,703 | \$ 1,096,725 |
| Fire and rescue services: | | | | |
| Fire department | \$ 213,445 | \$ 215,521 | \$ 215,521 | \$ - |
| Ambulance and rescue services | 1,390,276 | 1,395,222 | 1,319,956 | 75,266 |
| Forestry service | 7,914 | 7,914 | 7,913 | 1 |
| Total fire and rescue services | <u>\$ 1,611,635</u> | <u>\$ 1,618,657</u> | <u>\$ 1,543,390</u> | <u>\$ 75,267</u> |
| Correction and detention: | | | | |
| Sheriff | \$ 1,335,258 | \$ 1,382,686 | \$ 1,366,629 | \$ 16,057 |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Inspections: | | | | |
| Building | \$ 305,208 | \$ 305,208 | \$ 327,446 | \$ (22,238) |
| Other protection: | | | | |
| Animal control | \$ 198,997 | \$ 198,997 | \$ 201,282 | \$ (2,285) |
| Medical examiner | 250 | 250 | 200 | 50 |
| Total other protection | \$ 199,247 | \$ 199,247 | \$ 201,482 | \$ (2,235) |
| Total public safety | \$ 6,103,116 | \$ 5,893,226 | \$ 4,729,650 | \$ 1,163,576 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse disposal | \$ 834,837 | \$ 834,837 | \$ 836,014 | \$ (1,177) |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 671,445 | \$ 656,250 | \$ 603,801 | \$ 52,449 |
| Communication | 200,015 | 312,640 | 174,840 | 137,800 |
| School buildings | 250,152 | 344,152 | 321,187 | 22,965 |
| Technology | 489,184 | 524,332 | 563,376 | (39,044) |
| Total maintenance of general buildings and grounds | \$ 1,610,796 | \$ 1,837,374 | \$ 1,663,204 | \$ 174,170 |
| Total public works | \$ 2,445,633 | \$ 2,672,211 | \$ 2,499,218 | \$ 172,993 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 134,000 | \$ 134,000 | \$ 142,968 | \$ (8,968) |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 41,357 | \$ 41,357 | \$ 41,357 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 2,328,720 | \$ 2,269,953 | \$ 1,761,129 | \$ 508,824 |
| Bay transit | - | 83,025 | 83,025 | - |
| Children's services act | 1,127,800 | 1,462,509 | 1,431,875 | 30,634 |
| Housing choice voucher program | - | 15,756 | 15,756 | - |
| Bay aging | 122,711 | 9,430 | 9,430 | - |
| Rivah rides | - | 14,500 | 14,500 | - |
| Tax relief for the elderly | - | - | 132,381 | (132,381) |
| Total welfare | \$ 3,579,231 | \$ 3,855,173 | \$ 3,448,096 | \$ 407,077 |
| Total health and welfare | \$ 3,754,588 | \$ 4,030,530 | \$ 3,632,421 | \$ 398,109 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Rappahannock Community College | \$ 8,489 | \$ 8,489 | \$ 8,489 | \$ - |
| Contribution to County School Board | 7,137,253 | 7,137,253 | 6,665,207 | 472,046 |
| Total education | \$ 7,145,742 | \$ 7,145,742 | \$ 6,673,696 | \$ 472,046 |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | \$ 212,044 | \$ 212,044 | \$ 172,406 | \$ 39,638 |
| Swimming pool | 76,884 | 76,884 | 8,208 | 68,676 |
| Total parks and recreation | <u>\$ 288,928</u> | <u>\$ 288,928</u> | <u>\$ 180,614</u> | <u>\$ 108,314</u> |
| Cultural enrichment: | | | | |
| Museum | \$ 23,000 | \$ 23,000 | \$ 23,000 | \$ - |
| Library: | | | | |
| Contribution to county library | \$ 238,351 | \$ 238,351 | \$ 244,098 | \$ (5,747) |
| Total parks, recreation, and cultural | <u>\$ 550,279</u> | <u>\$ 550,279</u> | <u>\$ 447,712</u> | <u>\$ 102,567</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Middle Peninsula planning district commission | \$ 22,757 | \$ 23,471 | \$ 23,471 | \$ - |
| Economic development | 72,800 | 85,300 | 80,300 | 5,000 |
| Total planning and community development | <u>\$ 95,557</u> | <u>\$ 108,771</u> | <u>\$ 103,771</u> | <u>\$ 5,000</u> |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | \$ 11,025 | \$ 11,025 | \$ 11,025 | \$ - |
| Litter control program | - | 18,000 | 4,679 | 13,321 |
| Other environmental management | 47,000 | 1,000 | 1,000 | - |
| Total environmental management | <u>\$ 58,025</u> | <u>\$ 30,025</u> | <u>\$ 16,704</u> | <u>\$ 13,321</u> |
| Cooperative extension program: | | | | |
| Extension office | \$ 45,237 | \$ 45,237 | \$ 28,225 | \$ 17,012 |
| Total community development | <u>\$ 198,819</u> | <u>\$ 184,033</u> | <u>\$ 148,700</u> | <u>\$ 35,333</u> |
| Capital projects: | | | | |
| Motor vehicles and equipment | \$ 147,300 | \$ 12,150 | \$ 12,150 | \$ - |
| Total capital projects | <u>\$ 147,300</u> | <u>\$ 12,150</u> | <u>\$ 12,150</u> | <u>\$ -</u> |
| Debt service: | | | | |
| Principal retirement | \$ - | \$ 107,685 | \$ 107,685 | \$ - |
| Interest and other fiscal charges | - | 2,221 | 2,221 | - |
| Total debt service | <u>\$ -</u> | <u>\$ 109,906</u> | <u>\$ 109,906</u> | <u>\$ -</u> |
| Total General Fund | <u>\$ 23,135,365</u> | <u>\$ 23,430,325</u> | <u>\$ 21,024,884</u> | <u>\$ 2,405,441</u> |
| Special Revenue Fund: | | | | |
| Public Safety: | | | | |
| Sheriff: | | | | |
| Asset forfeiture | \$ - | \$ 19,328 | \$ 19,328 | \$ - |
| Total Sheriff | <u>\$ -</u> | <u>\$ 19,328</u> | <u>\$ 19,328</u> | <u>\$ -</u> |
| Other protection: | | | | |
| Animal control | \$ - | \$ 20,923 | \$ 6,285 | \$ 14,638 |
| FEMA | - | 37,613 | 59,800 | (22,187) |
| Total other protection | <u>\$ -</u> | <u>\$ 58,536</u> | <u>\$ 66,085</u> | <u>\$ (7,549)</u> |
| Total public safety | <u>\$ -</u> | <u>\$ 77,864</u> | <u>\$ 85,413</u> | <u>\$ (7,549)</u> |
| Total County Special Revenue Fund | <u>\$ -</u> | <u>\$ 77,864</u> | <u>\$ 85,413</u> | <u>\$ (7,549)</u> |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Debt Service Fund: | | | | |
| Public works: | | | | |
| Payment to Town of Tappahannock - Share of debt service | \$ 172,806 | \$ 172,806 | \$ 70,938 | \$ 101,868 |
| Community development: | | | | |
| Payment to Essex Airport - Share of debt service | \$ 50,033 | \$ 50,033 | \$ 41,387 | \$ 8,646 |
| Debt service: | | | | |
| Principal retirement | \$ 3,483,808 | \$ 2,608,534 | \$ 2,608,535 | \$ (1) |
| Interest and other fiscal charges | 43,645 | 918,919 | 916,792 | 2,127 |
| Total debt service | <u>\$ 3,527,453</u> | <u>\$ 3,527,453</u> | <u>\$ 3,525,327</u> | <u>\$ 2,126</u> |
| Total Debt Service Fund | <u>\$ 3,750,292</u> | <u>\$ 3,750,292</u> | <u>\$ 3,637,652</u> | <u>\$ 112,640</u> |
| Capital Projects Fund: | | | | |
| Capital projects: | | | | |
| Capital projects | \$ 790,000 | \$ 963,479 | \$ 572,710 | \$ 390,769 |
| Total capital projects | <u>\$ 790,000</u> | <u>\$ 963,479</u> | <u>\$ 572,710</u> | <u>\$ 390,769</u> |
| Total Capital Projects Fund | <u>\$ 790,000</u> | <u>\$ 963,479</u> | <u>\$ 572,710</u> | <u>\$ 390,769</u> |
| Total Primary Government | <u>\$ 27,675,657</u> | <u>\$ 28,221,960</u> | <u>\$ 25,320,659</u> | <u>\$ 2,901,301</u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration, health, and attendance | \$ 1,307,050 | \$ 1,259,473 | \$ 1,373,876 | \$ (114,403) |
| Instruction costs | 12,992,869 | 13,676,474 | 16,149,461 | (2,472,987) |
| Technology | 987,467 | 969,275 | 950,033 | 19,242 |
| Pupil transportation | 1,564,197 | 1,307,254 | 1,457,062 | (149,808) |
| Operation and maintenance of school plant | 816,663 | 878,869 | 1,152,062 | (273,193) |
| Total education | <u>\$ 17,668,246</u> | <u>\$ 18,091,345</u> | <u>\$ 21,082,494</u> | <u>\$ (2,991,149)</u> |
| Debt service: | | | | |
| Principal retirement | \$ - | \$ 57,510 | \$ 57,510 | \$ - |
| Interest and other fiscal charges | - | 310 | 310 | - |
| Total debt service | <u>\$ -</u> | <u>\$ 57,820</u> | <u>\$ 57,820</u> | <u>\$ -</u> |
| Total School Operating Fund | <u>\$ 17,668,246</u> | <u>\$ 18,149,165</u> | <u>\$ 21,140,314</u> | <u>\$ (2,991,149)</u> |
| Special Revenue Fund: | | | | |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services: | | | | |
| Administration of school food program | \$ 858,737 | \$ 858,737 | \$ 725,188 | \$ 133,549 |
| Commodities | - | 80,085 | 80,085 | - |
| Total school food services | <u>\$ 858,737</u> | <u>\$ 938,822</u> | <u>\$ 805,273</u> | <u>\$ 133,549</u> |
| Total education | <u>\$ 858,737</u> | <u>\$ 938,822</u> | <u>\$ 805,273</u> | <u>\$ 133,549</u> |
| Total School Cafeteria Fund | <u>\$ 858,737</u> | <u>\$ 938,822</u> | <u>\$ 805,273</u> | <u>\$ 133,549</u> |

County of Essex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| School Activity Fund: | | | | |
| Education: | | | | |
| Instruction: | | | | |
| Elementary and secondary schools | \$ - | \$ - | \$ 182,555 | \$ (182,555) |
| Total School Activity Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 182,555</u> | <u>\$ (182,555)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 18,526,983</u> | <u>\$ 19,087,987</u> | <u>\$ 22,128,142</u> | <u>\$ (3,040,155)</u> |

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OTHER STATISTICAL INFORMATION

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Table 1

County of Essex, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

| Fiscal Year | General | | | | | | | | | | Interest on Long-term Debt | Total |
|-------------|---------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|--------------|---------------|----------------------------|-------|
| | Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | | | | |
| 2012-13 | \$ 1,601,134 | \$ 706,845 | \$ 4,263,572 | \$ 1,456,944 | \$ 2,157,151 | \$ 6,694,654 | \$ 402,704 | \$ 76,721 | \$ 1,274,412 | \$ 18,634,137 | | |
| 2013-14 | 1,277,471 | 656,005 | 3,966,673 | 1,617,463 | 2,149,596 | 7,095,834 | 398,171 | 161,570 | 1,501,151 | 18,823,934 | | |
| 2014-15 | 1,381,868 | 538,448 | 3,890,756 | 1,626,640 | 1,884,957 | 9,636,662 | 454,226 | 215,500 | 1,476,080 | 21,105,137 | | |
| 2015-16 | 1,623,756 | 726,774 | 4,443,293 | 1,672,349 | 2,451,160 | 8,616,832 | 713,163 | 208,534 | 1,515,344 | 21,971,205 | | |
| 2016-17 | 1,805,722 | 797,726 | 4,290,214 | 1,964,911 | 3,192,335 | 9,163,741 | 443,243 | 148,955 | 1,341,160 | 23,148,007 | | |
| 2017-18 | 1,374,670 | 729,510 | 4,790,280 | 2,047,155 | 3,684,513 | 10,563,428 | 421,659 | 171,572 | 1,265,502 | 25,048,289 | | |
| 2018-19 | 1,700,740 | 759,707 | 4,667,740 | 1,958,366 | 3,120,601 | 10,157,043 | 369,727 | 159,016 | 1,197,968 | 24,090,908 | | |
| 2019-20 | 2,807,973 | 743,556 | 4,535,912 | 2,031,809 | 3,490,526 | 7,359,643 | 522,444 | 129,892 | 1,147,488 | 22,769,243 | | |
| 2020-21 | 3,263,956 | 749,254 | 5,235,347 | 2,317,627 | 3,729,097 | 11,109,312 | 386,532 | 293,825 | 864,938 | 27,949,888 | | |
| 2021-22 | 1,864,888 | 884,338 | 5,122,811 | 2,550,766 | 3,526,730 | 8,817,322 | 432,930 | 184,706 | 712,748 | 24,097,239 | | |

Table 2

County of Essex, Virginia
 Government-Wide Revenues
 Last Ten Fiscal Years

| Fiscal Year | PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|---------------|------------------------|-------------------|----------------------------------|---------------|--|-------|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Total | |
| 2012-13 | \$ 387,129 | \$ 3,173,575 | \$ - | \$ 12,865,179 | \$ 2,064,024 | \$ 62,865 | \$ 76,908 | \$ 1,492,519 | \$ 20,122,199 | | |
| 2013-14 | 486,365 | 2,994,419 | - | 13,459,968 | 1,892,560 | 53,199 | 88,612 | 1,505,664 | 20,480,787 | | |
| 2014-15 | 549,536 | 3,118,922 | - | 14,462,007 | 2,242,497 | 48,115 | 328,068 | 1,532,152 | 22,281,297 | | |
| 2015-16 | 563,077 | 3,439,628 | - | 15,939,496 | 2,494,704 | 182,385 | 212,975 | 1,512,974 | 24,345,239 | | |
| 2016-17 | 601,400 | 4,190,196 | - | 14,994,625 | 2,398,930 | 216,596 | 139,423 | 1,533,034 | 24,074,204 | | |
| 2017-18 | 618,146 | 4,191,259 | - | 15,725,803 | 2,386,084 | 107,124 | 147,899 | 1,762,773 | 24,939,088 | | |
| 2018-19 | 506,442 | 4,142,188 | 232,104 | 15,366,996 | 2,453,877 | 162,419 | 126,613 | 1,520,036 | 24,510,675 | | |
| 2019-20 | 536,449 | 4,385,515 | - | 15,488,417 | 2,626,777 | 122,163 | 159,443 | 1,489,684 | 24,808,448 | | |
| 2020-21 | 537,727 | 6,210,035 | 156,587 | 15,903,259 | 2,851,456 | 54,118 | 165,677 | 1,546,164 | 27,425,023 | | |
| 2021-22 | 724,961 | 4,476,765 | 174,479 | 16,476,784 | 3,034,848 | 9,419 | 166,778 | 1,551,978 | 26,616,012 | | |

County of Essex, Virginia
Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

| Fiscal Year | General | | | | Parks, Recreation, and Cultural | | | | Debt Service | Total |
|-------------|---------------------------|-------------------------|---------------|--------------|---------------------------------|---------------|-----------------------|--------------|--------------|---------------|
| | Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Community Development | Debt Service | | |
| 2012-13 | \$ 1,661,413 | \$ 640,070 | \$ 4,237,084 | \$ 1,372,443 | \$ 2,126,837 | \$ 16,094,245 | \$ 433,515 | \$ 78,596 | \$ 2,986,389 | \$ 29,630,592 |
| 2013-14 | 1,386,537 | 624,493 | 3,955,020 | 1,695,600 | 2,158,657 | 16,149,300 | 409,144 | 164,070 | 3,580,296 | 30,123,117 |
| 2014-15 | 1,400,155 | 635,031 | 4,122,850 | 1,586,688 | 1,916,587 | 17,196,877 | 464,733 | 286,126 | 3,553,194 | 31,162,241 |
| 2015-16 | 1,675,663 | 681,613 | 4,342,391 | 1,678,337 | 2,460,777 | 17,590,465 | 786,195 | 252,030 | 10,107,390 | 39,574,861 |
| 2016-17 | 1,626,900 | 736,236 | 4,005,719 | 1,925,317 | 3,156,629 | 17,690,252 | 450,070 | 185,454 | 3,680,884 | 33,457,461 |
| 2017-18 | 1,479,502 | 685,145 | 4,273,909 | 1,997,505 | 3,728,865 | 18,462,025 | 420,288 | 176,833 | 4,289,748 | 35,513,820 |
| 2018-19 | 1,657,963 | 740,596 | 4,278,635 | 1,946,801 | 3,165,399 | 17,932,501 | 395,655 | 173,437 | 4,175,437 | 34,466,424 |
| 2019-20 | 2,318,867 | 719,912 | 4,226,076 | 1,909,906 | 3,289,345 | 6,838,799 | 486,068 | 120,640 | 4,064,257 | 23,973,870 |
| 2020-21 | 2,460,823 | 759,646 | 5,154,714 | 2,354,721 | 3,737,883 | 17,902,649 | 392,687 | 298,591 | 11,059,508 | 44,121,222 |
| 2021-22 | 1,892,433 | 878,998 | 4,815,063 | 2,570,156 | 3,632,421 | 22,136,631 | 447,712 | 190,087 | 3,635,233 | 40,198,734 |

(1) Includes General, Debt Service, and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 4

County of Essex, Virginia
Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| | | | | | | | | | | |
| 2012-13 | \$ 13,091,774 | \$ 2,064,024 | \$ 53,129 | \$ 723 | \$ 42,053 | \$ 516,577 | \$ 76,088 | \$ 203,528 | \$ 14,763,185 | \$ 30,811,081 |
| 2013-14 | 13,492,136 | 1,892,560 | 47,868 | 49,737 | 48,985 | 527,304 | 119,050 | 126,842 | 14,279,539 | 30,584,021 |
| 2014-15 | 14,375,886 | 2,242,497 | 55,722 | 121,180 | 58,143 | 492,624 | 351,564 | 179,327 | 14,950,044 | 32,826,987 |
| 2015-16 | 15,795,828 | 2,494,704 | 48,111 | 56,372 | 62,881 | 580,497 | 216,252 | 156,843 | 14,901,063 | 34,312,551 |
| 2016-17 | 15,046,123 | 2,398,930 | 118,351 | 55,931 | 230,213 | 564,340 | 327,194 | 71,741 | 15,522,042 | 34,334,865 |
| 2017-18 | 15,517,236 | 2,386,084 | 104,197 | 43,980 | 119,298 | 607,999 | 346,250 | 33,366 | 15,805,943 | 34,964,353 |
| 2018-19 | 15,383,586 | 2,453,877 | 66,695 | 30,096 | 155,409 | 508,063 | 290,676 | 34,935 | 15,745,031 | 34,668,368 |
| 2019-20 | 15,488,417 | 2,626,777 | 81,150 | 23,620 | 122,163 | 796,496 | 330,398 | 33,405 | 16,187,176 | 35,689,602 |
| 2020-21 | 15,738,251 | 2,851,456 | 99,002 | 26,635 | 50,731 | 418,893 | 403,844 | 107,675 | 18,392,911 | 38,089,398 |
| 2021-22 | 16,113,234 | 3,034,848 | 163,863 | 18,764 | 48,897 | 575,959 | 503,950 | 79,262 | 21,201,909 | 41,740,686 |

(1) Includes General, Debt Service, and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 5

County of Essex, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1,2) | Percent of Delinquent Taxes to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|------------------------------------|---|
| 2012-13 | \$ 13,825,984 | \$ 13,144,229 | 95.07% | \$ 699,836 | \$ 13,844,065 | 100.13% | \$ 1,480,509 | 10.71% |
| 2013-14 | 14,450,761 | 13,795,011 | 95.46% | 426,979 | 14,221,990 | 98.42% | 1,394,233 | 9.65% |
| 2014-15 | 15,266,583 | 14,439,033 | 94.58% | 645,104 | 15,084,137 | 98.80% | 1,470,710 | 9.63% |
| 2015-16 | 15,337,344 | 14,669,612 | 95.65% | 738,882 | 15,408,494 | 100.46% | 1,780,183 | 11.61% |
| 2016-17 | 15,596,041 | 15,036,269 | 96.41% | 730,160 | 15,766,429 | 101.09% | 1,751,140 | 11.23% |
| 2017-18 | 15,643,806 | 15,369,346 | 98.25% | 836,998 | 16,206,344 | 103.60% | 1,839,453 | 11.76% |
| 2018-19 | 16,195,420 | 15,572,704 | 96.15% | 567,313 | 16,140,017 | 99.66% | 1,963,085 | 12.12% |
| 2019-20 | 15,704,996 | 15,083,438 | 96.04% | 548,641 | 15,632,079 | 99.54% | 1,665,267 | 10.60% |
| 2020-21 | 16,558,989 | 15,983,069 | 96.52% | 490,611 | 16,473,680 | 99.48% | 2,134,933 | 12.89% |
| 2021-22 | 17,311,716 | 16,324,300 | 94.30% | 552,057 | 16,876,357 | 97.49% | 2,134,933 | 12.33% |

(1) Exclusive of penalties and interest. Includes personal property tax relief funds.

(2) Includes three most current delinquent tax years and first half of current tax year.

Table 6

County of Essex, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Real Estate (1) | Personal Property and Mobile Homes (1) | Machinery and Tools | Merchant's Capital | Public Utility (2) | | Total |
|-------------|------------------|--|---------------------|--------------------|--------------------|-------------------|------------------|
| | | | | | Real Estate | Personal Property | |
| 2012-13 | \$ 1,250,196,928 | \$ 88,542,338 | \$ 1,664,900 | \$ 2,057,170 | \$ 40,960,386 | \$ 91,137 | \$ 1,383,512,859 |
| 2013-14 | 1,253,447,626 | 96,842,771 | 1,071,575 | 2,091,590 | 42,005,340 | 113,855 | 1,395,572,757 |
| 2014-15 | 1,258,320,412 | 97,286,467 | 1,087,150 | 2,221,244 | 43,138,410 | 101,500 | 1,402,155,183 |
| 2015-16 | 1,256,583,672 | 101,433,884 | 1,013,750 | 2,270,908 | 44,267,085 | 80,990 | 1,405,650,289 |
| 2016-17 | 1,274,938,875 | 101,152,496 | 3,883,438 | 2,183,823 | 45,895,897 | 70,375 | 1,428,124,904 |
| 2017-18 | 1,291,963,471 | 99,148,455 | 6,844,838 | 2,193,033 | 44,837,288 | 56,941 | 1,445,044,026 |
| 2018-19 | 1,296,806,253 | 136,456,770 | 6,946,938 | 2,373,535 | 45,538,476 | 30,348 | 1,488,152,320 |
| 2019-20 | 1,302,914,819 | 142,008,510 | 7,742,088 | 2,701,373 | 44,766,212 | 5,951 | 1,500,138,953 |
| 2020-21 | 1,402,522,505 | 149,647,224 | 9,317,920 | 2,408,750 | 45,272,053 | 2,976 | 1,609,171,428 |
| 2021-22 | 1,509,472,757 | 175,847,939 | 10,691,808 | 2,069,913 | 56,811,526 | - | 1,754,893,943 |

(1) Real estate and personal property are assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

**County of Essex, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

| Fiscal Year | Real Estate | Mobile Homes | Personal Property | Merchant's Capital | Machinery and Tools |
|----------------|--------------|-----------------|----------------------|-----------------------|---------------------------|
| 2012-13 | \$.695/0.84 | \$ 0.695 | \$ 3.50 | \$ 3.75 | \$ 3.50 |
| 2013-14 | 0.84/0.86 | 0.84 | 3.50 | 3.75 | 3.50 |
| 2014-15 | 0.86/0.88 | 0.86 | 3.75 | 3.75 | 3.75 |
| 2015-16 | 0.88 | 0.88 | 3.75 | 3.75 | 3.75 |
| 2016-17 | 0.88 | 0.88 | 4.00 | 3.75 | 3.75/1.20 |
| 2017-18 | 0.88 | 0.88 | 4.00 | 3.75 | 1.20 |
| 2018-19 | 0.88 | 0.88 | 4.00 | 3.75 | 1.20 |
| 2019-20 | 0.86 | 0.86 | 4.00 | 3.75 | 1.20 |
| 2020-21 | 0.86/0.74 | 0.86/0.74 | 4.00 | 3.75 | 1.20 |
| 2021-22 | 0.74/0.73 | 0.74 | 4.00/3.75 | 3.75 | 1.20 |

(1) Per \$100 of assessed value.

Table 8

County of Essex, Virginia
Ratio of Net Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Net Bonded Debt (3) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|----------------|----------------|-----------------------|-----------------------------|---------------------------|--|-------------------------------------|
| 2012-13 | 11,151 | \$ 1,383,512,859 | \$ 33,523,059 | \$ 33,523,059 | 2.42% | \$ 3,006 |
| 2013-14 | 11,151 | 1,395,572,757 | 31,840,877 | 31,840,877 | 2.28% | 2,855 |
| 2014-15 | 11,151 | 1,402,155,183 | 30,122,734 | 30,122,734 | 2.15% | 2,701 |
| 2015-16 | 11,151 | 1,405,650,289 | 32,202,425 | 32,202,425 | 2.29% | 2,888 |
| 2016-17 | 11,151 | 1,428,124,904 | 30,122,729 | 30,122,729 | 2.11% | 2,701 |
| 2017-18 | 11,151 | 1,445,044,026 | 27,344,418 | 27,344,418 | 1.89% | 2,452 |
| 2018-19 | 11,151 | 1,488,152,320 | 24,523,251 | 24,523,251 | 1.65% | 2,199 |
| 2019-20 | 11,151 | 1,500,138,953 | 21,742,971 | 21,742,971 | 1.45% | 1,950 |
| 2020-21 | 10,849 | 1,609,171,428 | 18,167,661 | 18,167,661 | 1.13% | 1,675 |
| 2021-22 | 10,849 | 1,754,893,943 | 15,594,159 | 15,594,159 | 0.89% | 1,437 |

(1) Weldon Cooper Center for Public Service for 2010 Census counts and 2020 population estimates.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bond anticipation notes, literary fund loans, and lease revenue bonds. Excludes leases, net pension liability, net OPEB liabilities, and compensated absences

COMPLIANCE

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of the Board of Supervisors
County of Essex
Essex, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise County of Essex, Virginia's basic financial statements, and have issued our report thereon dated December 5, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Essex, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Essex, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Essex, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Essex, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
December 5, 2022



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the Honorable Members of the Board of Supervisors
County of Essex
Essex, Virginia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Essex, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2022. County of Essex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, County of Essex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of County of Essex, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of County of Essex, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to County of Essex, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on County of Essex, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County of Essex, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding County of Essex, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of County of Essex, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of County of Essex, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
December 5, 2022

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Expenditures Passed Through to Subrecipients |
|--|--|--|-------------------------|--|
| Department of Health and Human Services: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Social Services:</i> | | | | |
| Temporary Assistance for Needy Families | 93.558 | 0400121/0400122 | \$ 106,131 | \$ - |
| Promoting Safe and Stable Families | 93.556 | 0950121/0950122 | 11,173 | - |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500121/0500122 | 513 | - |
| Low Income Home Energy Assistance | 93.568 | 0600421/0600422 | 16,899 | - |
| Child Care Mandatory and Matching Funds of the Child Care Development Fund (CCDF Cluster) | 93.596 | 0760121/0760122 | 23,698 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900121/0900122 | 248 | - |
| Foster Care - Title IV-E | 93.658 | 1100121/1100122 | 136,692 | - |
| Adoption Assistance | 93.659 | 1130121/1130122 | 73,559 | - |
| Social Services Block Grant | 93.667 | 1000121/1000122 | 114,492 | - |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 9150121/9150122 | 1,030 | - |
| Guardianship Assistance | 93.090 | 1110121/1110122 | 10,735 | - |
| Title IV-E Prevention Services | 93.472 | 1140122 | 6,673 | - |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130119 | 355 | - |
| Elder Abuse Prevention Interventions Program | 93.747 | 8000221 | 4,285 | - |
| Children's Health Insurance Program | 93.767 | 0540121/0540122 | 1,567 | - |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | 1200121/1200122 | 150,367 | - |
| Total Department of Health and Human Services | | | \$ 658,417 | \$ - |
| Department of Homeland Security: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Emergency Management:</i> | | | | |
| Emergency Management Performance Grants | 97.042 | 77501-52749 | \$ 13,316 | \$ - |
| BRIC: Building Resilient Infrastructure and Communities | 97.047 | Not Available | 37,612 | - |
| Total Department of Homeland Security | | | \$ 50,928 | \$ - |
| Department of Agriculture: | | | | |
| Pass Through Payments: | | | | |
| Child Nutrition Cluster: | | | | |
| <i>Virginia Department of Agriculture and Consumer Services:</i> | | | | |
| Food Distribution | 10.555 | 00-571 | \$ 72,148 | \$ - |
| <i>Virginia Department of Education:</i> | | | | |
| National School Lunch Program | 10.555 | 17901-45707 | 563,200 | - |
| | Total Assistance Listing #10.555 | | \$ 635,348 | \$ - |
| School Breakfast Program | 10.553 | 17901-40591 | \$ 225,002 | \$ - |
| Total Child Nutrition Cluster | | | \$ 860,350 | \$ - |
| COVID-19 Pandemic EBT Administrative Costs | 10.649 | 10649-301-10 | \$ 3,063 | \$ - |
| <i>Virginia Department of Social Services:</i> | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) | 10.561 | 0010121/0010122 | \$ 286,916 | \$ - |
| Total Department of Agriculture | | | \$ 1,150,329 | \$ - |

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures | Expenditures Passed Through to Subrecipients |
|--|--|--|-------------------------|--|
| Department of Transportation: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Motor Vehicles:</i> | | | | |
| State and Community Highway Safety (Highway Safety Cluster) | 20.600 | 60507-50287 | \$ 200 | \$ - |
| Department of Treasury: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Criminal Justice Services:</i> | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds - VA Crime | 21.027 | 10110-728021 | \$ 11,250 | \$ - |
| <i>Virginia Compensation Board:</i> | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Sheriff | 21.027 | 10110-728021 | 35,524 | - |
| Direct Payment: | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 10110-728021 | 73,930 | - |
| | Total Assistance Listing #21.027 | | \$ 120,704 | \$ - |
| Department of Justice: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Criminal Justice Services:</i> | | | | |
| Crime Victim Assistance | 16.575 | 39001-76000 | \$ 29,125 | \$ - |
| Department of Housing and Urban Development: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Housing and Community Development:</i> | | | | |
| Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 533005 | \$ 174,479 | \$ - |
| Department of Education: | | | | |
| Pass Through Payments: | | | | |
| <i>Virginia Department of Education:</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 17901-42901-42999 | \$ 506,022 | \$ - |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | 17901-43071-61234 | 557,277 | - |
| Special Education - Preschool Grants | 84.173 | 17901-62521 | 12,705 | - |
| Total Special Education Cluster | | | \$ 569,982 | \$ - |
| Career and Technical Education - Basic Grants to States | 84.048 | 17901-61095 | \$ 36,281 | \$ - |
| Rural Education | 84.358 | 17901- 43481 | 2,452 | - |
| School Improvement Grants | 84.377 | 17901-43040 | 51,054 | - |
| English Language Acquisition State Grants | 84.365 | 17901 | 10,697 | - |
| Supporting Effective Instruction State Grant | 84.367 | 17901-61480 | 73,786 | - |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | 84425-197-10 | 1,616,908 | - |
| COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 84425-197-10 | 787,010 | - |
| | Total Assistance Listing #84.425 | | \$ 2,403,918 | \$ - |
| Student Support and Academic Enrichment Program | 84.424 | 17901-61910 | \$ 41,014 | \$ - |
| Total Department of Education | | | \$ 3,695,206 | \$ - |
| Total Expenditures of Federal Awards | | | \$ 5,879,388 | \$ - |

See accompanying notes to schedule of expenditures of federal awards.

County of Essex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Essex, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Uniform Guidance) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | | |
|----------------------------------|----|-----------|
| General Fund | \$ | 1,512,506 |
| Special Revenue Funds: | | |
| County Special Revenue Fund | | 37,613 |
| County Capital Improvements Fund | | 174,479 |
| Total primary government | \$ | 1,724,598 |

Component Unit - School Board:

| | | |
|-----------------------------------|----|-----------|
| School Operating Fund | \$ | 3,695,206 |
| School Special Revenue Fund | | 863,413 |
| Total component unit School Board | \$ | 4,558,619 |

Total federal expenditures per basic financial statements

\$ 6,283,217

Federal interest subsidy

\$ (400,775)

Payments in Lieu of taxes

\$ (3,054)

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 5,879,388

Note 6 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of Essex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? _____ yes ✓ no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

| | |
|--------|--|
| | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 10.561 | |
| 84.425 | Education Stabilization Fund |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes ✓ no

County of Essex, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Findings - Financial Statement:

2021-001:

School Board Expenditure Documentation and Approval

Condition:

Documentation was missing for numerous expenditures processed by the School Board during fiscal year ended June 30, 2021. In cases where documentation was missing, approval could not be verified.

Recommendation:

Procedures should be in place to provide for maintaining paid invoices and the related approval of said invoices as supporting documentation for expenditures made.

Current Status:

Management has corrected the condition for FY 2022.

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